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## **China**

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## GENERAL

### Journal Discusses Spread of Missile Technology

90CM0345A Beijing GUOJI WENTI YANJIU  
[INTERNATIONAL STUDIES] in Chinese No 3,  
13 Jul 90 pp 29-36

[Article by Ye Ruan (0673 1172 1344): "Ballistic Missile Proliferation—How Do We Control It?"]

[Text] *The proliferation of ballistic missiles is having a greater and greater impact on international and regional security. It is the product of long-term rivalry between the superpowers over world hot spots, and there are other complex factors involved. The main danger posed by missile proliferation is that it can exacerbate regional instability and promote the proliferation of chemical and nuclear weapons. There are serious flaws and loopholes in the agreement reached between the United States and a small number of other countries in order to limit proliferation, and little good has come of it. Optimism regarding the prospects for preventing further proliferation of missiles in the near future is not warranted. The way to resolve this problem is for the international community to work together to push comprehensive, fair, and reasonable resolutions to regional conflicts.*

On the last day of February 1988, Iraq and Iran began an intense "war of the cities." In a few short weeks the two countries launched hundreds of Soviet-made Scud-B missiles and other surface-to-surface missiles.<sup>1</sup> In Tehran alone, more than 2,000 civilians were killed, and half the city's population was forced to take refuge in security zones.<sup>2</sup> This was the first time since Germany viciously attacked London and Antwerp with V-2 rockets in World War II that such a large-scale missile attack was directed against residential areas.

On 22 May 1989, India announced its first successful test-firing of a Agni intermediate-range missile. It is reported that this missile has a maximum range of 2,500 kilometers and can handle an effective payload of 1,000 kilos. Indian Prime Minister Rajiv Gandhi announced that this missile was "extremely significant" and that it would "expand the range of security options open to India."<sup>3</sup>

Two months later, South Africa (with Israeli assistance) launched a rocket with a range of 900 miles into the Indian Ocean. This range was precisely the same as that of Israel's Jericho-2, which they had test-launched for the first time two years earlier. U.S. intelligence officials supplied new evidence in October of that same year which showed that the exhaust plume from the South African missile's booster rocket was strikingly similar to that of the Jericho II missile. It is said that the two countries had concluded an agreement in advance that Israel would provide missile technology to South Africa in exchange for uranium which they would use to develop nuclear weapons.<sup>4</sup>

All of the aforementioned developments occurred after the Missile Technology Control Regime had been formed by seven Western nations in April 1987 (hereafter referred to as the "Seven Nation Agreement") and the Intermediate-Range Nuclear Forces Treaty had been signed by the United States and the Soviet Union in December of that same year. Precisely for this reason, the proliferation of ballistic missiles has caused a great deal of concern in the international community in recent years. It has been exerting a greater and greater impact on international security, especially in regional matters. This is an extremely complex international issue. Not only does it involve such political, military, economic, and technological factors as East-West arms control, regional conflicts, weapons production and sales, and scientific and technological development, it also affects bilateral and multilateral relations between large and small nations of every type. This article intends to provide a general description and analysis of the history, current status, and future prospects of ballistic missile proliferation.

### I. The Product of Regional Rivalry Between the Superpowers

Ballistic missiles first appeared in the Third World in the late 1950's and early 1960's. The United States supplied Honest John short-range missiles to Greece, Turkey, South Korea, and Taiwan, while the Soviet Union shipped FROG-4 or FROG-5 short-range missiles to Algeria, Egypt, and other countries.<sup>5</sup> However, missile proliferation has been most severe in the Middle East, where strife has continued for the longest time, reached the highest intensity, and been the most complex.

The Middle East missile race began in the early 1960's. After Israel's founding, its military power developed rapidly, with vigorous support from the United States and other Western countries. It soon achieved superiority over the Arab countries. Israel launched a solid-fuel meteorological rocket called the Shavit in 1961, and it formulated a plan for developing missiles. In 1963 Israel secretly signed an agreement with Dassault Aircraft Corporation of France to buy that company's MD-620 and MD-660 missiles (with a 500-kilometer range, effective payload of 550 kilograms, and accuracy to within one kilometer). France prohibited shipment of the missiles after the third Middle East war in 1967, so Dassault was unable to deliver the goods according to schedule (1968).<sup>6</sup> However, it was said that two missiles had already been delivered to Israel prior to the embargo.<sup>7</sup> Later, Israel developed the Jericho-1 on its own and deployed it in 1968. It received assistance from some U.S. arms manufacturers in developing the warhead and the guidance system.

In order to counter Israel's military superiority and ensure national security, some Arab countries attempted, with assistance from foreign experts, to develop ballistic missiles, but they failed. In the early 1960's, Egypt's President Nasser hired 80 West German rocket specialists and developed three different missiles,

but they never went into production. From 1974 to 1981, Orbital Transport und Raketen Aktien Gesellschaft (OTRAG), of Munich, made successive attempts in Zaire, Libya, Syria, Pakistan, and Saudia Arabia to develop a small commercial launch vehicle. For a variety of reasons, the company was not successful.<sup>8</sup> Faced with these circumstances, and due especially to the fact that the military power of the Arab nations was greatly reduced in the 1967 and 1973 wars, Egypt, Syria, Iraq, Libya, and South Yemen purchased about 1,000 FROG-7 (range, 70 km) and Scud-B (range, 280 km) missiles from the Soviet Union from the late 1960's through the late 1970's.<sup>9</sup>

In 1974 Israel demanded that the United States provide it with the Pershing 1a missile (range, 750 km), but was rejected.<sup>10</sup> However, in 1975 the United States promised to supply Israel with 200 Lance missiles, which it began to deliver the following year.<sup>11</sup> This missile had a range of 130 kilometers and could carry both conventional and nuclear warheads. At the same time, Israel set about developing the Jericho-2 missile, which it test-launched successfully in 1987. It used this rocket the following year to launch a satellite. In 1983 the Soviet Union shipped a batch of SS-21 missiles (range, 120 km) to Syria. Perhaps because U.S.-Soviet intermediate-range missile negotiations were nearing agreement by the mid-1980's, and because Soviet foreign policy was readjusted after Gorbachev came to power, the Soviet Union has not shipped such intermediate-range missiles as the SS-12 (range, 900 km) or the highly accurate SS-23 (range, 500 km).<sup>12</sup>

Because the United States and the Soviet Union stopped supplying their allies with the latest generations of ballistic missiles in the 1980's, the focus of the ballistic missile race in the Middle East (and in other regions) has gradually shifted from "lateral proliferation" (from the United States and the Soviet Union toward other countries) to "vertical proliferation" (within Third World countries which were already in possession of missiles), that is, they began to improve the missiles they already had (by increasing range, increasing effective payload, or improving accuracy) or to develop new missiles. The focus also shifted toward "lateral proliferation" between Third World countries. Because the missiles and missile technology possessed by the Third World come primarily from the Soviet Union or the United States, the armament plans and military industries of many countries (especially Israel and the Arab countries) are still seriously dependent on the United States and the Soviet Union (and a small number of other countries) in the areas of funds, technology, and personnel. This type of proliferation has still not escaped the orbit of superpower rivalry.

There are many complex reasons why ballistic missiles have appeared and proliferated in the Third World.

It is not primarily for economic reasons that the superpowers have sold missiles to the Third World; they have done so in order to achieve foreign policy objectives, for example, "influence allies, resolve regional conflicts in a way favorable to themselves, support the governments of friendly nations, counteract each other's influence, obtain the right to use facilities or bases, exert pressure on authorities in importing countries, and so on."<sup>13</sup> Calculated in terms of the 1985 U.S. dollar, Third World countries imported a total of \$286 billion worth of conventional weaponry between 1971 and 1985, 68 percent of which came from either the United States or the Soviet Union.<sup>14</sup> Among all categories of weapon systems, aircraft accounted for half of the imports. That proportion rises to roughly 70 percent after factoring in tanks and cannon. Missiles never accounted for a high percentage (about 10 percent in most years). Breaking down these figures by region, more missiles were imported in the Middle East and the Asian Pacific than in other regions.<sup>15</sup>

Enterprises in some developed Western countries, including France, West Germany, and Italy have transferred missiles and missile technology to Third World countries, primarily in search of high profits.

Situations in Third World countries and regions are complex and cannot be lumped together. Importing missiles, exporting missiles, or developing missiles on one's own or in cooperation with another country are all decisions taken for different reasons. The considerations involved include exerting political influence (toward a particular area or country); earning hard currency; bolstering military strength in order to become a military power with regional dominance; gaining missile vehicles to launch chemical weapons or, potentially, nuclear weapons when the need arises; strengthening defenses and counterattack capabilities or acquiring a deterrent force; serving as a symbol of national power and prestige; developing space aviation industry and spurring the development of the country's high technology and economy; and so forth.

The historical background described above, which takes the Middle East as an illustration, shows that missile proliferation in the Third World is a product of long-term superpower rivalry in the world's hot spots. This is demonstrated more directly and clearly in some regions and less directly and to a lesser degree in others.

## II. Current Situation and Potential Dangers of Missile Proliferation

So far about 20 or 30 Third World countries (and territories) have or are developing ballistic missiles (see table).

**Third World Ballistic Missile Proliferation**

	40-50 km <sup>1</sup>	150-600 km	Over 600 km
Afghanistan		Scud-B	
Algeria	FROG-7		
Argentina		Condor I	Condor II
Brazil	ASTRO II SS-60; EE-150*	SS-300*; Sonda-4*	
Cuba	FROG-4; FROG-7		
Egypt	FROG-7; Saqr-80	Scud-B	Badr-2000* <sup>2</sup>
India		Prithvi	Agni
Indonesia	RX-250*		
Iran	Oghab; Shahin-2*; Nazeat (Iran-130)*	Scud-B	
Iraq	FROG-7; ASTROS SS-60	Scud-B; Al-Hussein	Al-Abbas*
Israel	MAR-350; Lance	Jericho-1	Jericho-2
Korea (North)	FROG-4; FROG-7	Scud-B	
Korea (South)	Honest John; Nike-Hercules <sup>3</sup>		
Kuwait	FROG-7		
Libya	FROG-7	Scud-B; ex-OTRAG	
Pakistan	Haft-2	Haft-1*	
Saudi Arabia	ASTROS SS-60		Dong Feng-3 (CSS-2)
South Africa	<sup>4</sup>		
Syria	FROG-7; SS-21 Scarab	Scud-B	
Taiwan	Honest John; Ching Feng		
North Yemen	SS-21 Scarab <sup>4</sup>		
South Yemen	FROG-7; SS-21 Scarab	Scud-B	

Note: The asterisk (\*) indicates that the missile is currently under development.

1. Missiles with a range of 40 km or less are generally classified as rocket artillery. Most of the world's armies have this kind of missile.

2. This is the Egyptian name for the Condor.

3. This is a U.S.-supplied surface-to-air missile. It was modified to attack surface targets without U.S. consent.

4. Unconfirmed.

Source: *Strategic Survey*, 1988-89, p. 18 (London, International Institute for Strategic Studies).

Most of the missiles listed in the first category were imported directly from the United States or the Soviet Union in the late 1950's and early 1960's. Most of the missiles in the second category are Scud-B's or improved versions of it bought from the Soviet Union in the 1970's. There are also many missiles that various countries are developing or have developed on their own. Apart from a small number of Saudi Arabian missiles, all of the missiles in the third category are intermediate- or intermediate/long-range missiles developed in the 1980's by the various nations. India's Agni missile and South Africa's missile have recently been test-launched successfully. Israel's Jericho-2 has been test-launched several times and development is proceeding apace.

In terms of regional distribution, ballistic missiles are concentrated mainly in three regions: the Middle East, the Indian subcontinent, and the Korean peninsula. One-half of all Third World ballistic missiles are in the Middle East. *Jane's Strategic Weapons Systems*, published in May 1989, reports that there are 20 types of

ballistic missiles in Third World countries, of which 11 have already been deployed or are presently being developed. At least six countries are considered capable of producing nuclear warheads.<sup>16</sup>

Ballistic missiles have been used four times in regional conflicts.<sup>17</sup> During the Middle East war in October 1973, Syria and Egypt launched a small number of FROG and Scud missiles against military bases in northern and southern Israel. During the Iran-Iraq war, Iraq launched a small number of short-range missiles against Iranian border towns at the beginning of the war. Iraq launched over 100 Scud-B missiles between 1983 and 1986 against more distant targets. Iraq attacked Iraq in the same manner after acquiring the same missile from Libya in 1985 until the "war of the cities" broke out between the two nations in the spring of 1988. Libya took revenge on 15 April 1986 for the U.S. air raid by launching two Scud-B missiles against a U.S. Coast Guard base on the coast of Italy. They missed the target. The most recent incident was in late 1988 when Afghan government

troops fired over 50 Scud-B missiles against Afghan guerrillas. Experience shows that using ballistic missiles equipped with conventional warheads does not have a decisive impact on the course of a war, whether used against military targets, industrial facilities, or civilian populations.

The main danger posed by ballistic missile proliferation is not the fact that the number of countries is gradually rising, nor is it that the number of missiles has gone up greatly. In fact, only two or three new countries have obtained missiles in recent years (Saudi Arabia, Afghanistan, South Korea). Missiles constitute only a small part of the military force of Third World countries and are not likely to constitute the primary threat. Although all of Israel's neighbors (except Jordan) have ballistic missiles, Israeli military officials believe that "the genie is not yet out of the bottle," and that missiles are a potential rather than current problem.<sup>18</sup> The two main potential threats posed by accelerated proliferation of ballistic missiles are:

#### 1. Exacerbation of Regional Instability

As described above, the great majority of all nations that have ballistic missiles are in a few hot spots that have long been in chaos, strife, and occasional open conflict. The superpowers have not terminated their rivalry in these hot spots (though the degree and methods have changed), but their ability to control events has shrunk greatly. In late June 1986, the United States and Israel signed an agreement to jointly develop the Arrow anti-tactical-ballistic missile (the United States agreed to provide 80 percent of the funds and Israel 20 percent).<sup>19</sup> Last March, U.S. Defense Department officials revealed that the United States had already decided to sell the Patriot antimissile system and that it would be deployed next year. This will enable Israel to acquire antimissile capability much earlier.<sup>20</sup> This can only intensify the escalating arms race in the Middle East.

#### 2. The proliferation of ballistic missiles has spurred proliferation of chemical and nuclear weapons and has threatened international security and peace.

Several countries now developing a new generation of missiles are precisely those nations that are considered "threshold countries" possessing the potential to produce nuclear weapons. In recent years, and especially in the Middle East, the proliferation of ballistic missiles appears to have been increasingly linked to the proliferation of chemical and (potentially) nuclear weapons. Some Arab countries are unwilling to relinquish the right to produce nuclear weapons and apparently intend to use them as a "poor man's atom bomb" to deter any possible attack by Israel. It is foreseeable that if a fifth Middle East war were to break out, it would surely far surpass the previous four in terms of scope and intensity. If ballistic missiles were used as the vehicle for a chemical war or to attack nuclear installations, it would have disastrous consequences not only for the Middle East but for world peace in general.

### III. International Efforts To Control Proliferation Yield Few Results

After 1972, the United States began restricting exports of ballistic missiles and relevant technology in a manner similar to that adopted later by the "Seven Nation Agreement." The United States took this unilateral action for three reasons. One was in order to protect its superiority in aerospace industry and technology and to fend off foreign competition.<sup>21</sup> More and more countries were accelerating development of aerospace industry and technology. In particular, Japan and some West European countries were engaging in more and more cooperation and contracts in this area with Third World countries. By controlling exports of ballistic missiles, they would be able to control the transfer of cutting-edge technology, an area in which the United States held the lead. A second reason was that more and more Third World countries and territories were acquiring and improving ballistic missiles. This posed an increasing threat to overseas U.S. troops and U.S. allies.<sup>22</sup> Particularly in the Middle East, Israel's pursuit of invasive and expansionist policies (with U.S. support) forced the Arab nations to strengthen their defenses, and this effort included importing and developing ballistic missiles. If war were to break out in the Middle East, the United States would back Israel, and U.S. troops and installations in the Mediterranean and the Gulf region would certainly come under attack. The third reason is that the United States was concerned that ballistic missile proliferation would accelerate the proliferation of chemical and nuclear weapons.

The U.S. Government gradually came to see that proliferation of ballistic missiles in the Third World was disadvantageous to itself. In November 1982, President Reagan signed National Security Decision Directive 70, which called for the United States to find a way to fight "this dangerous trend."<sup>24</sup> However, by the 1980's space and missile technology had already come into widespread use and dissemination. It was impossible for unilateral controls by the United States to be effective. In 1983 the United States, Britain, France, West Germany, Italy, Japan, and Canada began secret negotiations. After four years of talks, these seven nations reached agreement in Rome on 16 April 1987. The "Seven Nation Agreement" was officially named the Missile Technology Control Regime.<sup>25</sup>

The Seven Nation Agreement is divided into two parts: a set of guidelines for restricting exports, and an export control list.<sup>26</sup> The object of the agreement is to restrict the risk of nuclear weapon proliferation by controlling the transfer of nuclear weapons delivery systems other than manned aircraft, as long as these restrictions do not impede the space programs of the seven countries or hinder space cooperation between them and providing that such programs do not facilitate the development of nuclear weapons delivery systems. The most important part of the agreement is to subject the most "sensitive" items on the restricted list—category-one items—to tight controls. For the most part, export licenses for such



items are not issued. However, because of different laws and customs in the various countries, even these items are to be taken "on a case-by-case basis" and decisions are to be made by the signatory nations "in accordance with their own laws." Items in category two can be transferred freely in all but a few special cases as long as guarantees are made between governments.

Items in category one include:

1. Complete rocket systems with an effective payload of 500 kilograms or greater or a range of 300 kilometers or greater (including ballistic missile systems, space launch vehicles, and sounder rockets), and unmanned aircraft (including cruise missile systems, target aircraft, and unmanned reconnaissance aircraft).
2. Subsystems that can be used in the complete systems described above, or production facilities or equipment designed specifically for the purpose of manufacturing such systems.
3. All classes of individual rockets, reentry vehicles, rocket engines and solid or liquid fuels, guidance systems,<sup>27</sup> vector thrust-control devices, warhead safety and arming devices, as well as fuses and launching devices.

Most of the items in category two are production technologies that could facilitate production of large numbers of missiles many years from now, but do not present a great immediate threat. Such items include propellant production equipment, structural materials, avionics equipment, ground support equipment, testing equipment, computer software, and nine others.

In recent years, the Seven Nation Agreement has done little to prevent proliferation of ballistic missiles in the Third World. The international community universally considers the agreement to be "too little, too late." Some people believe that the agreement has been "completely counterproductive" and has actually spurred some Third World countries to accelerate missile development.<sup>28</sup> Many Third World countries and territories now have missiles and missile technology superior (in terms of range, effective payload, and accuracy) to what has been restricted in the Seven Nation Agreement. The Seven Nation Agreement can be considered a failure because it contains serious flaws and loopholes.

First, and most important, it is an agreement by which large nations restrict smaller ones, and developed nations restrict developing ones. It is not an international treaty formulated by a large number of nations after consultations based on equality. It lacks a broad constituency. The great majority of developing nations feel that the agreement is intended to maintain the technological superiority of supplier countries and to suppress the space programs of developing countries.<sup>29</sup>

Second, there are not many signatories to the treaty. Some countries which have, or could potentially have, ballistic missiles did not participate in the agreement. As

early as the beginning of the 1980's there were at least 100 developing countries engaged in space research, of which 39 had set up bilateral agreements with the United States on the use of outer space. Five of these countries had entered into such agreements with countries in Western Europe. About 20 countries by that time had their own space research agencies, and 16 countries had their own satellites or shared one with neighboring countries.<sup>30</sup> So far, in addition to eight countries that now have space capabilities (that is, the ability to launch satellites), seven or eight countries are now stepping up efforts to implement their own space launch programs. As everyone knows, the great majority of the technology, especially inertial guidance technology, is the same in intermediate-range missiles as in the space launch vehicles used to launch satellites. It is generally possible to buy civilian satellites as well as their components, technology, materials, and manufacturing equipment on the international market. Many developing countries already have considerable technological capability, and they can also hire specialists and engineers from Western enterprises. For this reason, the Seven Nation Agreement presents no major restrictions to most countries.

Third, the Seven Nation Agreement is not a document of international law with any real force. It is neither a treaty nor an administrative agreement. It provides no international organ for enforcement, nor has it any clause concerning verification or observance of its requirements. It provides for no sanctions against violators. All it did was to take a few regulations based on unilateral export restriction policies of the United States and turn them into a "gentleman's agreement" between a small number of countries.

After taking the above into account, one need not wonder at the fact that this sort of agreement has not had much impact upon an issue so complex as the prevention of ballistic missile proliferation.

In one classic example, from 1983 to 1988 the United States investigated sales by SNIA (a subsidiary of Italy's Fiat) of missile technology to Argentina in violation of the Seven Nation Agreement. These sales helped Argentina, Egypt, and Iraq in their joint development of the Condor II missile. Allan Fulman gave a vivid description of the inside story of this affair in his book *Arnelli and the Italian Power Network*.<sup>31</sup> People have seen how difficult it is to enforce the Seven Nation Agreement due to the fact that relations between the United States and other Western nations are intimately involved with political, military, diplomatic, scientific, and technological affairs. As the FINANCIAL TIMES pointed out, the agreement "has not received clear support from high-level officials in the governments of the majority of its signatories. Violations of the agreement by companies in the West (especially Europe) are rampant."<sup>32</sup> According to a recent news report from the American Broadcasting Company, Iraq already has the capability to produce an intermediate range nuclear weapon, and almost all of its equipment and technology is from Western companies, including companies from the United States. The U.S.

Department of Commerce has encouraged exports of technology to Iraq which could be used in a missile program.<sup>33</sup> Iraq's Minister of Military Industries said that Iraq had successfully test-launched two three-stage rockets last December which had been developed "without any foreign participation."

#### IV. How To Prevent Missile Proliferation

The U.S. Government has listed prevention of the proliferation of ballistic missiles (and chemical and nuclear weapons) in the Third World as one of the objectives of national security policy in the 1990's.<sup>34</sup> However, the United States admits that "it will become more and more difficult to slow the pace of this type of proliferation."<sup>35</sup> How can missile proliferation be prevented or effectively decelerated? Government officials and scholars in the United States and other Western nations have offered some ideas and suggestions.

1. Some have suggested that more nations need to participate in the Seven Nation Agreement. Since 1988 the U.S. Government has been attempting during visits and meetings with Soviet leaders and high-level officials to get the Soviet Union to join the Seven Nation Agreement. In accordance with the terms of the June 1988 summit meeting, high-level officials from the two countries met in Washington in late September that year to discuss the prevention of missile proliferation. Press reports from the United States indicated that the United States had briefed the Soviet Union on the worldwide status of ballistic missile proliferation. After the United States gave an overview of language in the Seven Nation Agreement aimed at limiting proliferation, both sides "reached a common understanding in some areas, particularly with regard to the seriousness of the issue." The United States hoped that the Soviet Union would at least use its influence to dissuade Middle East nations from buying or developing ballistic missiles.<sup>36</sup> In the past two years, the two sides have engaged in many discussions and meetings, but there has apparently been little progress.

The intention of the United States and other Western nations is to gain recognition of the Seven Nation Agreement from all nations so it will become a global treaty, just like the Nuclear Non-Proliferation Treaty.<sup>37</sup> This is not a feasible plan. Even if more nations joined the agreement, proliferation would still not likely be prevented. Although there is a connection between missile proliferation and nuclear nonproliferation, they are not completely the same. Outer space is belongs to all of humanity. Every country has the right to develop space technology and to make peaceful use of outer space. Handling affairs in accordance with the Seven Nation Agreement is inevitably a matter of a small number of nations using the prevention of missile proliferation as an excuse to monopolize space industry and technology. The great numbers of developing countries are disappointed with the Nuclear Non-Proliferation Treaty. They have always been unhappy about the fact that nuclear nations which have signed the treat have not

carried out their duty of nuclear disarmament. They have also been unhappy about the fact that these same nations have looked askance at the peaceful use of nuclear energy by nonnuclear nations. The developing nations have learned their lesson and will not sign an agreement that is not in their interests.

2. Some have suggested that the Seven Nation Agreement must be strengthened and amended. This should be done by including more types of technology in category one on the restrictions list, and imposing compulsory prohibitions on exports; amending the language of category two and making restrictions on these exports more strict. In addition, the language of the agreement must be made law in all countries, and it must be enforced. The formulation of on-site verification measures must also be considered in order to ensure that exported missile components and technologies are used for peaceful purposes.<sup>38</sup> On 1 February 1990, U.S. Secretary of State Baker testified in the U.S. Senate that the United States has already agreed with its allies to strengthen the Seven Nation Agreement by extending participation in the agreement to all members of the European Community and possibly the new governments of Eastern Europe. Not to mention how difficult it would be for this expanded number of nations to negotiate even stricter limitations, missile proliferation would still not be effectively prevented even if negotiations were successful.

3. Some people have suggested that the INF Treaty between the United States and Soviet Union be "globalized," that is, that the United States and the Soviet Union, in their Geneva disarmament talks, propose the formulation of a multilateral agreement which would prohibit the export of any intermediate-range missiles,<sup>39</sup> or that global or various regional agreements be formalized which would prohibit testing of ballistic missiles, thereby making it impossible for any country to develop new missiles.<sup>40</sup> These proposals are not feasible either politically or theoretically. No country would be willing to give up the fruits of its breakthroughs in science and technology, nor would any country relinquish its military power or willingly submit to the manipulations of a small number of major powers.

4. Some people have suggested developing an anti-tactical-ballistic missile system in order to render ballistic missiles "ineffective and obsolete." Soon after President Reagan launched the Strategic Defense Initiative [SDI] in 1983, he signed agreements with some allies for joint development of an antimissile system (originally for the purpose of defending against the threat posed by the Soviet Union's tactical nuclear missiles in Europe). In 1985 Dan Quayle (then a U.S. senator, now the vice president) argued that the United States should provide regional allies with an anti-tactical-missile system (he later asked the Congressional Research Service to produce a report on the proliferation of ballistic missiles in the Third World for this purpose). George Bush endorsed this proposal in a campaign speech in September 1988. Now, in addition to the United States and Israel, anti-tactical-missile systems are also being

developed in some other Western nations, the Soviet Union, and Japan.<sup>41</sup> It is a certainty that U.S. assistance for Israel's development of an anti-tactical-missile system will spur the Arab countries to further improve the sudden-strike capability of their ballistic missiles. Several decades of the U.S.-Soviet arms race have provided ample proof that the race to develop new offensive and defensive weapons is an endless cycle of "action and reaction."

These proposals cannot effectively curb the proliferation of ballistic missiles in the Third World. There is no cause for optimism regarding the prospects for curbing proliferation in the near future. The international community has yet to find a truly effective method to achieve this purpose. However, there is no need to exaggerate the seriousness of the situation either, as if all hope for controlling ballistic missile proliferation in the Third World were lost. In fact, just as with nuclear arms proliferation, ballistic missile proliferation is subject to political, economic, and technological constraints. Take the technological aspect, for example. If you want to manufacture guidance systems—the part of ballistic missiles with the stiffest technological requirements—you must produce accelerometers, gyroscopes, and flight computers. The performance of the inertial guidance system must be up to standard in every aspect. Extremely precise machining, special materials, and microcomputers are required. It would be extremely difficult for the great majority of developing countries to reach this level of technological and manufacturing advancement.

The prevention or deceleration of ballistic missile proliferation in the Third World will require a resolution of regional conflicts. In other words, the sources of proliferation—superpower interference and rivalry, regional conflicts and antagonisms, and various destabilizing factors—must be eliminated. There has been a relaxation of international tensions in recent years. There has been progress in disarmament and arms control negotiations, and noticeable successes have been achieved in efforts to find political settlements to regional conflicts. This facilitates efforts to prevent ballistic missile proliferation. However, it must be noted that the aforementioned destabilizing factors still exist, and new turmoil and destabilizing factors have appeared in some regions. For this reason, the only real way to prevent ballistic missile proliferation in the Third World is to resolve regional conflicts in a comprehensive, fair, and rational manner. The international community should make an unflagging effort to achieve this goal.

All countries could, on the basis of equality and under the auspices of the United Nations, explore effective ways to prevent ballistic missile proliferation in the Third World, but they absolutely cannot take the Seven Nation Agreement as a fait accompli and force other countries to accept it. In regions such as the Middle East where proliferation is serious, the various countries should put top priority on regional peace and security

and work together to prevent proliferation. Egypt's President Mubarak recently made a very meaningful proposal, asking for a comprehensive ban on weapons of mass destruction in the Middle East. He also called for the establishment of a system for verifying the presence of nuclear, chemical, and biological weapons. If this proposal receives a positive response from other Middle East nations, especially Israel, it will surely help to limit ballistic missile proliferation in the Middle East. Iran and Iraq have both expressed a willingness to carry out direct peace talks, and are even considering a meeting between their heads of state in order to improve relations. This is also a positive development.

#### Footnotes

1. The two sides launched a total of 570 missiles. Of this number, 190 were modified Scud-B missiles launched by Iraq. Iran launched more than 80 Scud missiles and 250 of their own Oghab missiles. See *Strategic Survey, 1988-89*, p. 19 (London, International Institute for Strategic Studies, 1989).
2. THE LOS ANGELES TIMES, 31 July 1988, p. 1.
3. AP wire from New Delhi, 22 May 1989.
4. The U.S. *Arms Control Today*, November 1989, p. 30; CHINA DAILY, 28 October 1989, p. 8.
5. *Jane's Weapon Systems, 1983-84; Balance of Military Forces, 1983-84* (London, International Institute for Strategic Studies); Aaron Karp, "The Frantic Third World Quest for Ballistic Missiles," in BULLETIN OF THE ATOMIC SCIENTISTS, June 1988, p. 19.
6. DEFENSE AND FOREIGN POLICY WEEKLY, 3-9 August 1987, p. 1.
7. INTERNATIONAL HERALD TRIBUNE, 26 July 1969.
8. Aaron Karp, "Ballistic Missiles in the Third World," in INTERNATIONAL SECURITY, winter 1984-85, pp. 185-87.
9. BULLETIN OF THE ATOMIC SCIENTISTS, June 1988, p. 17.
10. Jonathan Power, "Missile Technology Is Out of Control," BALTIMORE SUN, 18 August 1989.
11. *Balance of Military Forces, 1976-77*, p. 94 (London, International Institute for Strategic Studies).
12. The U.S. BULLETIN OF THE ATOMIC SCIENTISTS, June 1988, p. 17.
13. ATLANTA CONSTITUTION, 12 July 1988, p. 15.
14. Michael Olson, *Arms Transfers to the Third World, 1971-85*, p. 1, Stockholm Institute for International Peace (Cambridge University Press, 1987).
15. Ibid., p. 9.

16. David White, "At Least 16 Non-Western Nations Have Missiles," England, *THE FINANCIAL TIMES*, 17 May 1989.
  17. *Strategic Survey, 1988-89*, p. 19 (London, International Institute for Strategic Studies, 1989).
  18. *CHRISTIAN SCIENCE MONITOR (INTERNATIONAL EDITION)*, 25-31 July 1988, p. 7.
  19. *THE WASHINGTON POST*, 29 June 1989, p. 1.
  20. *The LOS ANGELES TIMES*, 9 March 1989.
  21. Aaron Karp, "The Frantic Third World Quest for Ballistic Missiles," p. 17.
  22. U.S. Congressional Research Service Report No. 86-29 SPR: "The Potential for Ballistic Missile Proliferation in the Third World," p. 6, 24 April 1986.
  23. Frederick Hulling, "The Missile Technology Control Regime: a Major Arms Control Success," in U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers, 1987*, p. 25.
  24. *THE WASHINGTON POST*, 19 September 1988, p. 6.
  25. According to a report in the 3 February 1990 *FINANCIAL TIMES*, the seven nations had already unofficially and secretly implemented the regime before agreement had been reached. Spain has since signed the agreement.
  26. White House press releases: "Missile Technology Control Regime," "Appendices on Equipment and Technology," 16 April 1987.
  27. This refers to missiles with effective payloads and ranges greater than the weapons in category one, and those with guidance systems that provide a Circular Error Probable (CEP) of 10 kilometers or less. Guidance systems for missiles with ranges of 300 kilometers or less are not subject to restrictions. See U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers, 1987*, p. 26.
  28. "The Missile Race Heats Up," in *SOUTH MONTHLY*, August 1989.
  29. *Ibid.*
  30. Aaron Karp, "Ballistic Missiles in the Third World," in *INTERNATIONAL SECURITY*, winter 1984-85, p. 178.
  31. Allan Fulman, *Arnelli and the Italian Power Network*, Chapter 15, "Missile Events," pp. 221-234 (Harrap, London, 1988).
  32. Editorial in England's *THE FINANCIAL TIMES*, 13 February 1990.
  33. UPI English Cable, Washington, 16 March 1990.
  34. Presidential "American National Safety Strategy Report," p. 2, (White House, March 1990).
  35. *Ibid.*, p. 6.
  36. *INTERNATIONAL HERALD TRIBUNE*, 28 September 1988.
  37. Stephen Baker, "Countering Third World Guided Missile Threat," in "Heritage Foundation Background Materials," No. 726, 21 September 1989, p. 9.
  38. Aaron Karp, "The Frantic Third World Quest for Ballistic Missiles," carried in *U.S. BULLETIN OF THE ATOMIC SCIENTISTS*, June 1988, p. 20.
  39. Kenneth Ardeman, "Curing Missile Measles," in *THE WASHINGTON TIMES*, 17 April 1989.
  40. Aaron Karp, "The Frantic Third World Quest for Ballistic Missiles," carried in *U.S. BULLETIN OF THE ATOMIC SCIENTISTS*, June 1988, p. 20.
  41. *Strategic Survey, 1988-89*, p. 24 (London, International Institute for Strategic Studies).
- View of U.S. Position on Gulf, Budget**  
*HK1710150090 Hong Kong HSIN WAN PAO in Chinese 17 Oct 90 p 1*
- ["New Talk" column: "U.S. Defense Secretary's Visit to Soviet Union"]
- [Text] U.S. Defense Secretary Cheney has arrived in Moscow to hold talks with Soviet military and political leaders after his visit to the UK.
- The talks between Cheney and the British defense secretary and prime minister focused on the Gulf crisis. Before arriving in Moscow, however, Cheney declared that the purpose of his visit there is to discuss in detail issues between the United States and the Soviet Union on limiting conventional arms; and, since the Soviet Union has maintained close ties to Iraq, he is not going to touch any topic concerning Iraq's military secrets so as not to embarrass the Soviet Union.
- Despite his statement, one can hardly ignore the Gulf crisis, which is the focus of attention of the world at the moment. So Cheney's clarification that his visit has nothing to do with the Mideast situation seems to be a redundant denial.
- The messages from the White House in the past two days indicate that U.S. President Bush is now faced with a real dilemma. The military deployment in Saudi Arabia has been completed, but no military action has yet been taken. This is because, on the one hand, the United States is afraid that, once there is war, there will be more serious clashes and thus more casualties, which would of course mean a large number of casualties for the U.S. troops as well; and on the other hand, the U.S. economy, which has been going downhill for a while, will suffer more as a result of the war.



Two and a half months have passed since the Iraqi invasion of Kuwait, but so far the U.S. military pressure has not taken effect. Yesterday, Bush once again warned Iraqi President Saddam Husayn, telling him "not to forget Nuremberg." As Nuremberg was the place where the international court was set up to try Nazi war criminals after World War II, it is clear that Bush's warning is to remind Saddam Husayn of the old saying: "Warlike people are liable to severe penalty."

Although Bush has given more and more strongly worded warnings, military operations seem to have been delayed again and again. As the U.S. midterm elections (in which all the representatives, one-third of the senators, and two-thirds of the state governors will be reelected) are drawing near, Bush will either declare war or take no action that will be unfavorable to the ruling Republican Party. For this reason, he has no choice but to serve verbal warnings. So now is a good opportunity for Saddam Husayn to get tougher in bargaining.

For Bush, what is more unfortunate is that a financial budget crisis at home has coincided with the Gulf crisis abroad, and the disputes between him and the Congress have also arrived at a deadlock.

Although the Senate and the House of Representatives, after the reciprocal vetoes of the budget between the White House and the Congress, have finally approved the plan proposed by the government to cut the deficit by \$500 billion in five years, the two sides are still arguing on how this plan is to be implemented. To win more votes, Democratic representatives demand that the amount of taxes to be paid by the middle and lower classes be reduced; while Bush, who has to represent large enterprises' interests within the Republican Party, does not want to increase considerably the amount of taxes to be levied on the high income bracket. If they fail to make a compromise, the Democratic congressmen may put forth a new bill, and this will likely cause another round of disputes between the administration and the Congress.

The last fiscal year of the U.S. Government ended at the end of September. Now that the budget for the new fiscal year is still not available, the government can only survive on the provisional appropriations approved by the Congress. The provisional appropriations bill will expire by this coming Friday night. Bush has warned that he will reject the extension of the provisional appropriations if no progress is made on the budget issue by the expiration date, and that would mean a cessation of government operation. People are watching to see whether there will be a turn for the better in this issue or whether the government will stop operations next Monday.

Bush seems to have lost weight as seen on television. We wonder whether this is the joint effect of internal and external pressures.

## UNITED STATES

### U.S. Adjustments of Overseas Military Bases

HK1610103490 Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 41, 8 Oct 90 p 31

["Special dispatch" from Washington by Huai Chengbo (2037 2052 3134): "The United States Readjusts Its Military Base Networks Abroad"]

[Text] Lately, the U.S. Government has been readjusting the deployment of its military bases abroad. Some have been closed, others are being turned to other purposes, contracts are being renewed for others, and some new ones are being built to suit the strategic needs for establishing a post-cold war "new world order."

The United States has signed military treaties with 48 countries and regions in the world, set up some 360 military bases and installations in over 20 countries and regions, and stationed military missions in 43 countries and regions. On 18 September, the U.S. Defense Department announced that it planned to close 127 military bases and installations in 44 places in 10 countries and reduce the number of troops stationed at another 23 military bases and installations. Of the 127 military bases and installations, 94 are in West Germany, 11 in Spain, nine in South Korea, Greece, and Italy, and three each in Britain and Australia. Of the 23 military bases and installations with personnel reductions, 14 are in West Germany, three in South Korea, two in Spain, and one each in Italy, Japan, Canada, and Bermuda. The plan takes effect in the 1991 fiscal year, which starts on 1 October this year, and some projects will be executed in 1992 or at a later date.

According to a preliminary analysis, most of the 150 military bases and installations are small facilities, such as training camps, officers clubs, or barracks. Of the 127 military bases and installations to be closed, only three are military bases—Hessich-Olderdorf and Lindsey Air Bases in West Germany and Torrejon Air Base in Spain. The shutting down of bases is, in fact, another relief of garrison within NATO for U.S. forces abroad. According to a friendly cooperation and defense agreement signed in 1982, the United States has four military bases in Spain with over 10,000 troops stationed there. At the demand of the Spanish people, the Spanish Government ordered in January 1988 that 72 F-16's and 4,000 officers and men of the U.S. 401st Tactical Fighter Wing deployed at Torrejon Air Base near Madrid, the capital, should leave Spain. Because the United States insisted that these aircraft should be retained to defend NATO's southern wing, Italy agreed through consultations within the framework of NATO to set up new installations in Crotone to accommodate these U.S. troops and aircraft.

Most of the 150 military bases and installations are concentrated in Europe, especially West Germany. This is in keeping with the aim of the ongoing European conventional force reduction talks held in Vienna between 23 NATO and Warsaw Pact countries.

According to an agreement reached between the two parties in Ottawa last February, U.S. and Soviet ground forces in Central Europe will be reduced to 195,000 each. At present, the United States has some 320,000 troops stationed in Europe.

Moreover, under huge congressional pressure to slash military spending, the U.S. military has decided to make a moderate reduction. Last February, Defense Secretary Dick Cheney announced the shutting down of 25 military bases in the country and reduced numbers of troops in another 20-plus installations in order to adapt to the new situation following reduced Soviet military threat.

After World War II, the United States painstakingly set up a global base network chiefly to contain the Soviet Union and dominate the world. It was also aimed at crushing the surging postwar national liberation movements and protecting U.S. neocolonialist interests. Following changes in East Europe and the Soviet domestic situation and the end of the cold war and in the confrontation situation between the two major European blocs, U.S. policymakers held that the United States had won the cold war and had become the only superpower in the world. In recent speeches, American leaders indicated that, to establish a post-cold war "new world order," the United States must keep its "military might and vitality." Obviously, the United States has no wish to completely eliminate its military presence in Europe, the Asian-Pacific region, and other areas in the world. That is to say, it wants to continue acting the part of world policeman. In Europe, in line with the U.S.-initiated "New Atlantic doctrine," NATO, which is headed by the United States, will continue to exist, make proper adjustments according to the characteristics of the new period, and still play a "crucial" role in devising and establishing a new security structure in Europe.

The Iraqi invasion of Kuwait on 2 August serves as a catalyst for a U.S. concept of establishing a post-cold war "new world order." According to a *TIME* report, in explaining this concept, some U.S. strategy analysts said that the future world is not drawn between East and West but between North and South; the future split will be economic and be between the poor and rich countries rather than between socialism and capitalism; and, more probably, regional turmoil will occur in the next few years with the superpowers and Western countries joining hands in "maintaining order" in the Third World. At a joint session of both houses of the U.S. Congress some time ago, U.S. President Bush said that, to establish a "new world order," the United States and the Soviet Union, as well as the European allies, can establish a joint "partnership." At a congressional hearing, U.S. Secretary of State Baker also explicitly said the stationing of U.S. troops in Saudi Arabia is not merely a question of marking up several dozen cents for each gallon of gasoline. From a long-term point of view, this is aimed at establishing a post-cold war new world order. He also indicated that the U.S. troops would stay in the Middle East for a long time to establish a "regional security structure." It is reported that by the end of

September, the number of U.S. troops dispatched to Saudi Arabia, Oman, and the United Arab Emirates had exceeded 165,000 and that, when the military deployment was completed, the overall military strength would probably reach 250,000. The total number of U.S. naval vessels in the Gulf, Arabian Sea, and eastern Mediterranean is about 50, including three aircraft carriers. What the United States has been yearning for over the years is to establish permanent bases in the Gulf Arab states. The remarks by Baker and U.S. military leaders have caused unease in the Arab world. During his subsequent visit to Syria, Baker toned down his pitch, saying the United States had no intention of "preserving a permanent ground military presence" in the Middle East for the sake of establishing a "regional security structure" in this region. But according to a knowledgeable *WALL STREET JOURNAL* report, Pentagon officials are quietly drawing up a plan to make sure that U.S. troops will be stationed in the Gulf for a long time after the end of the Gulf crisis. The U.S. ground forces in Saudi Arabia reportedly plan to keep a heavy mechanized brigade for a long time, as well as support units, about 7,000 to 8,000 troops in all, and to retain sufficient arms and ammunition for 35,000 to 40,000 soldiers; the Air Force hopes to retain permanent bases in Oman, the United Arab Emirates, and Kuwait [as published], and the Marines want to have a floating arms depot in the Middle East to store tanks and other weapons. Saudi officials disclosed that the United States had unofficially notified them of this plan.

In recent years, in the Philippines, Panama, South Korea, Japan, and other countries and regions of the Asian-Pacific region and Latin America where there are U.S. bases, the people have increasingly demanded the withdrawal of U.S. garrison troops and bases. The United States is in an increasingly difficult position, but it still tries by every possible means to hang on. In the Philippines, the new Constitution approved by referendum in 1987 stipulates that foreign bases will no longer be allowed to exist after September 1991 unless a new agreement is signed. At the recent talks in Manila between the United States and the Philippines, U.S. representatives called for a 10-year transition period in an attempt to prolong the existence of the U.S. military bases. In an effort to keep the Panama Canal for a long time, the United States did not hesitate to launch a military invasion of Panama.

#### Assessment of U.S. Economic Situation

*HK1610134290 Beijing JINGJI RIBAO in Chinese*  
26 Sep 90 p 3

[Article by He Ming (0735 6900): "U.S. Economy Is Sliding Toward a New Recession"]

[Text] During the past year, the U.S. economy has been in a state of depression. People are saying that a new recession will occur in the U.S. economy. Recently, a

series of August economic figures published by the United States made most economists believe that this will happen.

Before July the unstable statistical figures of the U.S. economy already showed uncertainty for the future. The August economic figures published in September showed a trend of overall deterioration in the economic field. Compared with July, the total volume of retail sales dropped by 0.6 percent in August; the industrial and mining production index dropped by 0.2 percent; the utility rate of industrial and mining equipment reached 83.1 percent, a decrease of 0.4 percent; and the unemployment rate rose to 5.6 percent. The sharply increasing oil prices due to the Middle East situation caused wholesale prices to rise 1.3 percent, and the consumer price index to rise 0.8 percent in August. These figures show that there is a trend of deterioration in both production and the market. According to the acknowledged standard of the United States, the definition of economic "recession" is that the actual GNP drops in two or more successive quarters. Many economists predict that it is almost impossible to change the current trend. It is appropriate to say, therefore, that the current U.S. economy is sliding toward a new economic crisis.

The tensions in the Middle East situation and the sharp increase in the prices of crude oil have added great difficulties to the depressed economy and economic crisis of the United States. But they are not the fundamental reasons for the crisis. In fact, before tension appeared in the Middle East situation, contradictions had already appeared between the purchasing power of the broad masses of laboring people and the relative overproduction in the United States. The development of production in many sectors has already ceased. According to research by the U.S. Association of Economic Policy, the average net income of 90 percent of low-income families has decreased by 8.8 percent compared with 10 years ago. Moreover, the rate of increase of the average income on a household basis was, for the first time this year, lower than the inflation rate. Real personal income has dropped by 0.6 percent when tax payments are deducted and inflation is factored in. Statistics show that consumer spending, which makes up two-thirds of the total GNP, has also ceased growing. Affected by the serious reduction in spending, the building industry has been in a state of "recession" for six successive months, the auto industry is still unable to overcome the "recession," the real estate business faces a desolate scene on all sides, the profits of various companies have been greatly reduced, and many enterprises have decreased investment in factory renovation and equipment renewal.

According to preliminary observation, the emerging economic crisis in the United States has two main characteristics: 1) The ratio between inventories and marketing has still not reached the level of the crises that appeared in the past. This is because most enterprises are using computers to manage their inventories so it is easier to control these goods and, since economic development

has been stagnant for more than a year, various enterprises are very cautious when they want to increase their inventories. The relatively smaller quantity of goods in stock indicates that the coming economic crisis will be a mild one and it will not last a long time. 2) The economic crisis will exist simultaneously with inflation. Before the Gulf crisis took place, the annual rate of inflation in the United States was four to five percent. But since the Gulf crisis, it further deteriorated in August. This will offset the influence of the aforementioned factors and make the coming economic crisis more serious and longer. This is mainly because the inflation rate has been increasing by a big margin, which will greatly weaken the purchasing power of the vast numbers of consumers and deepen the contradictions between production and market. Thus, the situation of stagflation, which appeared in the 1970's, may appear again.

Furthermore, the deterioration of inflation has also added difficulties for the U.S. Government in working out an anticrisis policy. The measures adopted by the U.S. Government since the end of the war against economic recession are mainly financial and monetary policies. In the financial field, the main methods are to expand expenditures, adopt a deficit policy, and reduce taxes. In the monetary field, the main methods are to loosen credit conditions and reduce interest rates. Judging from the current situation, the federal financial deficit in fiscal year 1990 is expected to reach \$200 billion, and that of fiscal year 1991 will also be more than \$160 billion. For this reason, there will be little room for adopting other measures, such as expanding expenditures and reducing taxes. Under this situation, the U.S. Government can only adopt the measures of loosening credit and reducing interest rates. However, due to the deterioration of inflation, the U.S. Federal Reserve Bank cannot do this rashly and hastily, because in order to curb inflation it is necessary to tighten credit conditions. Otherwise, inflation will further deteriorate. This is the true reason why the Federal Reserve Bank has not reduced the discount rate even to this day. Undoubtedly, this difficult situation of the U.S. Government will also prolong the period of economic crisis.

## NORTHEAST ASIA

**Japan's Plan To Send SDF Troops Abroad Noted**  
*OW1710050290 Beijing in Japanese to Japan*  
1430 GMT 16 Oct 90

[Text] The 16 October issue of RENMIN RIBAO carried a XINHUA Tokyo correspondent's report noting the fact that Japanese newspapers are publishing severe criticisms one after another on the Japanese Government's intention to dispatch Self-Defense Forces [SDF] abroad on the pretext of bringing about peace in the Middle East. The report focuses on the fact that KYODO NEWS AGENCY, YOMIURI SHIMBUN, MAINICHI SHIMBUN, and ASAHI SHIMBUN are

sharply pointing out [words indistinct] by noting the UN Peace Cooperation Bill and Prime Minister Kaifu's policy speech.

MAINICHI SHIMBUN particularly points out that the Japanese people now deeply feel that Japan is standing at a crossroads. The paper then says that the attempt to send the SDF abroad, regardless of its reason, is indeed a careless plan. The same paper is warning the government by saying that the most important thing is that people in the Asian-Pacific region, who suffered the most damage from the war Japan started, would view this attempt as a sort of threat.

Moreover, a 15 October XINHUA Tokyo dispatch pays attention to the results of an opinion poll, which was recently conducted across the nation by NIHON KEIZAI SHIMBUN—a Japanese economic newspaper. The results indicate that a considerable number of Japanese people object to the government's plan to dispatch SDF troops abroad.

According to the poll, 10.9 percent of the participants in the poll support the plan to dispatch armed SDF troops abroad while 28.4 percent approve the dispatch of unarmed SDF troops. As many as 48.5 percent of the people think that the government should not dispatch SDF troops abroad.

Regarding the UN Peace Cooperation Bill the government submitted to the Diet, 38.4 percent opposed it and 18.7 percent were dissatisfied with it. As opposed to their total of 57.1 percent, 23.1 percent of the people supported the bill. Of those who opposed the plan to dispatch SDF troops abroad, 58.6 percent said that the government should not send SDF troops abroad under any circumstances.

#### **Analysis of Japanese Debate To Send Troops Abroad**

*HK1810073590 Hong Kong TA KUNG PAO in Chinese  
18 Oct 90 p 2*

["Political Talk" column by Shih Chun-yu (2457 0689 3768): "Japanese Diet Debates Issue of Dispatching Troops Abroad"]

#### **[Text] The UN Peace Cooperation Act**

Over the past few days, the "UN Peace Cooperation Law" was intensely debated in the Japanese Diet, and the central point in the debate was how to support the multinational troops led by the United States and stationed in the Gulf region. On the surface, the debate was related to the specific way to cooperate with and support the multinational troops, but many people in Japan were afraid once this became a precedent, Japan would continue to dispatch its Self-Defense Force abroad in the name of the United States and continue to participate in various military activities in the name of safeguarding peace. Many Asian countries, especially those which fell

victims to Japanese militarism in the past, were naturally sensitive to Japan's current behavior.

In the eyes of some Japanese people with conservative or even militarist thoughts, the move to "send troops abroad" should be enthusiastically supported. Over the years there has often been a call for revising the Constitution. In the postwar years, Japan has grown into one of the greatest economic powers in the world, and it is now developing into a political power, too. Some people thus hold that, if Japan really wants to become a political and economic power with a say and influence in world affairs, then it must be bolstered by strong military forces. Therefore, the idea of "sending troops abroad in the case of trouble" was representative of a latent force in Japan. In fact, Japan's military strength now ranks at the advanced world level. The equipment and size of its naval, ground, and air forces have gone far beyond the scope of "self-defense," and this is an open secret.

#### **The Constitution of Peace Prohibits Sending Troops Abroad**

Therefore, Japan hoped its troops would be dispatched abroad to participate in the activities of the United Nations if "there was such a need." However, sending troops abroad is a matter which concerns whether or not Japan's postwar peace Constitution and the law about the Self-Defense Force will be violated. Article 9 of Japan's postwar Constitution stipulates: "Japan does not maintain ground, naval, and air forces and other war forces, and does not recognize the state's power to enter into war." Therefore, sending troops of the Self-Defense Force abroad is obviously unconstitutional. In Japan's postwar political circles, the issue of "sending troops abroad when there is a need" has often been discussed, and the conclusion is the Constitution of peace must not be violated.

After the Gulf crisis occurred, the United States required Japan to contribute money, and Bush also personally exerted pressure on Japan and demanded Japan send troops to join the multinational forces in the Gulf region. Some Japanese politicians did want to make use of this opportunity and shift the pressure from the United States onto their rival political forces at home by sending the Self-Defense Force to the Middle East. Therefore, at the Diet meetings beginning on 12 October, there was another round of debate on whether the action of sending troops abroad was unconstitutional.

On 16 October, when replying to questions in the Diet, Prime Minister Kaifu said the participation of the Self-Defense Force in the multinational troops "will be subject to the limits prescribed by the Constitution and will not rely on the armed threats or the use of armed force," so sending troops to the Middle East is not an unconstitutional move. He also stressed according to the "collective security guarantees of the United Nations" and the changes in the contemporary "background," that it is feasible to send the personnel of the Self-Defense Force to the UN troops. Sagako Doi, leader of the



Socialist Party, questioned why, since Kaifu made it plain at a 29 August news conference that "Japan is not considering sending its Self-Defense Force abroad," he now changed his mind.

#### **Sending Troops Abroad Will Certainly Evoke Public Resentments**

So far, the opposition parties and public opinion in Japan have mostly disagreed with the idea of sending troops abroad and were concerned about the consequences of the enactment of the UN Peace Cooperation Law which may pave the way for sending troops abroad. Masaharu Gotoda, former chief cabinet secretary and a member of the Liberal Democratic Party, told the KYODO reporter that Japan must avoid sending troops abroad in any case, and the door leading to a military power must not be opened. He also reminded people of an important point: The premise of Japan's entrance into the United Nations was Japan can never use force.

According to Japan's present conditions and also according to the view of many Asian countries, in all fairness, Japan should still strictly abide by its peace Constitution. Only thus can Japan maintain its position as a big power really safeguarding peace in Asian. If Japan becomes swollen-headed and sends troops abroad, then no matter what role it will play, Japan's image in Asia, especially in Southeast Asia and Northeast Asia, will be seriously impaired.

#### **DPRK, ROK Premiers End Meeting Without Agreement**

*OW1910034590 Beijing XINHUA in English  
1540 GMT 18 Oct 90*

[Text] Pyongyang, October 18 (XINHUA)—The Democratic People's Republic of Korea (DPRK) and South Korea failed to reach any significant agreements on easing tensions as their premiers ended their second meeting here today, DPRK officials said.

DPRK Premier Yon Hyong-muk and South Korean Prime Minister Kang Yong-hun, however, agreed to work for improving relations between Pyongyang and Seoul, the officials said.

The two will meet again in Seoul on December 11-14 in a third round of talks.

An Pyong-su, spokesman for the DPRK, told reporters that during the nearly two-hour closed-door meeting, Yon and Kang mainly discussed the draft of a declaration of non-aggression worked out by the DPRK.

South Korea agreed in principle to accept the draft but maintained that the name of the declaration should be changed and proposed a joint declaration for reconciliation insurance, An said.

The spokesman added that the non-aggression declaration is acceptable to the South because it incorporates

the South Korean position. The draft of a joint declaration for reconciliation and peace for Korea worked out by the South Korean side can not be a substitute for the declaration suggested by the DPRK, he said.

But the content of the South proposal is acceptable if some of the sentences are modified, An added.

An said the two sides reached a common understanding on easing tensions on the Korean Peninsula through discussions on the DPRK draft, and hoped that the next round of talks between the two premiers will be fruitful.

In a separate press conference, Lim Dong-won, spokesman for the South Korean delegation, said Kang did not adopt the DPRK declaration because he was not entrusted with the power to sign the draft, adding his delegation will consult with the National Assembly and government and opposition leaders on the issue.

South Korea appreciates the non-aggression declaration because it is constructive and basically coincides with proposals put forward by Seoul before, Lim said.

He said Kang reiterated the South Korean suggestion that the two sides cooperate in the economic field and hold exchange visits for families separated by the division of the country.

### **SOUTHEAST ASIA/PACIFIC**

#### **Cambodian Resistance Condemns SRV Troop Buildup**

*OW1910180790 Beijing XINHUA in English  
1117 GMT 19 Oct 90*

[Text] Bangkok, October 19 (XINHUA)—The three factions of the Cambodian resistance condemned the Hanoi authorities for sending fresh troops to Cambodia and intensifying the war of aggression.

In a statement dated October 18 and issued here today, the resistance said that in accordance with a plan worked out in August, the Vietnamese authorities in September sent about three divisions of fresh troops to Cambodia, with two-thirds of them being sent to Battambang front and others to other parts of the country to back up the Phnom Penh forces.

With the help of the Vietnamese forces, the Phnom Penh regime has increased activities in the country to conscript Cambodian civilians into the Heng Samrin army, the statement said.

The Vietnamese and Heng Samrin troops have also been trying hard to launch military operations aimed at capturing the liberated zones controlled by the resistance, the statement said.

While strengthening military operations at war fronts, the Hanoi authorities and Phnom Penh regime have been trying their best in the diplomatic front to destroy

the framework document of the five permanent members of the U.N. Security Council, the Jakarta joint statement and the U.N. Security Council Resolution 668 (1990), the statement noted.

All this clearly indicated that the Hanoi authorities are not ready to put an end to their war of aggression in Cambodia, the statement said.

"The whole Cambodian people will never allow the Hanoi authorities and the Phnom Penh faction to meet at will, and will resolutely participate with the Cambodian national resistance in the struggle against the Vietnamese war of aggression until the Hanoi authorities accept a comprehensive political settlement in conformity with the entirety of the framework document of the permanent five," the statement said.

The resistance also called on all friendly countries to do everything possible to prevent the Hanoi authorities and Hun Sen faction from destroying the permanent five framework document and the Jakarta joint statement, and to compel them to implement those documents unconditionally.

#### **Phnom Penh Prepares for Large-Scale Offensive**

*OW1910084390 Beijing XINHUA in English  
0637 GMT 19 Oct 90*

[Text] Bangkok, October 18 (XINHUA)—The Vietnamese-backed Phnom Penh regime has been shipping or flying in more troops and equipment to the war fronts in northwestern Cambodia in an attempt to retake territory captured by the resistance, resistance officials said here today.

The officials, who spoke on condition of anonymity, said that tons of ammunition have been recently shipped from Cambodia's main port of Kompong Som to the capital city of Phnom Penh and then flown northwest.

Reports reaching here from Phnom Penh said that the Phnom Penh regime might also be moving its fighter jets and helicopters from Phnom Penh to the city of Siem Reap, about 314 kilometers northwest of Phnom Penh, the officials added.

Road routes to Siem Reap have been cut for the past few weeks, supplies are flown in or shipped upriver from Phnom Penh and across the huge Tonle Sap Lake, they said.

The officials said the Phnom Penh regime is building up its troops slowly towards a large-scale offensive against the resistance when the monsoon ends in a few weeks.

## **EAST EUROPE**

### **Policy Direction of New Czechoslovak Government**

*90CM0366A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 29, 16 Jul 90 p 43*

[Article by staff reporter Liu Tianbai (0491 1131 4101): "Policy Direction of Czechoslovakia's New Government"]

[Text] After a series of setbacks, Czechoslovakia's new government was recently organized with Marian Calfa continuing as premier. Then the Czechoslovakia Parliament reelected Havel as president.

The new government formed on 29 June is led by the Public Against Violence movement and Civic Forum members elected in the general elections of 8-9 June. Although these two organizations hold a majority in the Federal Assembly, they do not have the necessary three-fifths majority, thus they must ally with other factions. Civic Forum has announced that it will not ally with the Czech Republican Slovak National Party, thus it can only form a coalition with the Christian Democratic Alliance. The Christian Democratic Alliance has criticized the Civic Forum for forcing Deputy Interior Minister Ruml to raise the issue of Bartoncik's past history to attack the Christian Democrats and thus refused to join the cabinet so that it was difficult to form a new cabinet. Through Havel's mediation, the Slovak Christian Democratic Movement agreed to participate in the formation of a coalition government. Of the 16 members of the coalition government, except for one deputy premier and one minister who were outside the Christian Democratic Movement, all the others were members of Civic Forum and Public Against Violence. Ten of the members of the government are Czechs, and six are Slovaks.

What tasks the new government faces and what policies they will pursue are issues of general concern. On 3 July, Calfa gave his administrative program leadership report to the Parliament and explained the domestic and foreign policies of the new government.

He said that guiding the Czechoslovak economy onto the path of developing a market economy was the first important task facing the government. He felt that implementation of a new economic strategy was required for the economy to escape its long-term stagnation and overcome its lagging behind developed countries. "Overall democratization of society and implementing economic democratization linked with market economies" is the "only way" to realize this strategy. Thus, the government adopted a series of measures; for example, modified commodity prices subsidies will be eliminated or reduced; on 1 January next year they will begin to implement such systems as free prices, liberalized foreign trade, and enterprises may freely exchange Western currencies. Beginning this year, the overwhelming majority of Czechoslovak state-owned enterprises will be converted into joint-stock companies and will admit

investment shares from domestic and foreign individuals. The state will also actively support development of various types of private economies. The government will draft and revise a series of laws and correspondingly adjust government ministries and commissions, such as eliminating the State Planning Commission and place the former Ministries of Metallurgy, Machine Building, and Electric Industry and the Ministry of Fuel and Power and the Ministry of Agriculture under the unified jurisdiction of the Ministry of the Economy. In addition, the government will also established departments to be responsible for private enterprise.

Calfa mentioned that inflation is an important danger facing Czechoslovakia in the transition to a market economy and the government will do its utmost to control rising prices, unemployment, and foreign debt.

Whether or not the government can control prices is a topic of widespread discussion. Some Czechoslovak newspapers warn that, next, Czechoslovakia will conduct trade with CEMA countries using world prices and free foreign exchange and that Czechoslovakia will face the shock of rising raw materials prices, such as for petroleum, as was experienced by some countries in the seventies. One ton of petroleum imported by Czechoslovakia from the Soviet Union now costs 97 rubles, next year in world prices it will have to pay \$135; this year petroleum is 873 crowns (1 ruble equals 9 crowns) per ton, next year one U.S. dollar will equal 17 crowns, so that each ton will cost 2,300 crowns. There will also be substantial increases in the prices of raw materials imported from the Soviet Union, such as iron, ores, and silicon. Increases in the prices of raw materials will spur increases in the prices of other commodities. A recent article in the Czechoslovak *LIDOVE NOVINY* said that the threat of rising prices and unemployment "makes people more pessimistic than optimistic about the future." Havel has also said many times that, due to adopting some "unwelcome measures," the new government may change from a nationally understanding government to a "nationally sacrificing government." Some government and party organizations, especially the over 7-million member labor union organization have raised the call to protect the interests of the laborers.

In his administrative program, Calfa stressed that he wanted to strengthen the role of the federation. He said, "the Czech and Slovak Federated Republic as a nation must want to have a common economy, society, and encircling strategy, and the means to implement this strategy must include a unified currency, military, and foreign policy. This is beyond discussion."

Calfa's vigorous call for the nation to unite is not accidental. For the past six months, the call within Czechoslovakia for ethnic independence and local autonomy has been rather strident. Early this year, in order to revise the country's name, to make prominent the position of the Slovaks, in Bratislava there was a demonstration in which thousands of people participated demanding "Slovak independence." Before the

general elections, in Bratislava Havel participated with Ke-ma-er-no [4430 7456 1422 6179] in a mass meeting, some people held up the slogans "Slovak independence" and "return Slovakia to the Slovak people." The Slovak National Party that entered Parliament had publicly raised the demand for Slovak independence. In an administration program report, newly appointed Slovak government premier Macier stressed that Slovak national self-determination should be implemented and relations of the Slovak and Czech Republic Federation. In the Czech Republic, Premier Pithart stressed that the national idea and consciousness of the Czechs should be cultivated. In the Moldavian and Silician regions in Czechoslovakia some people have demanded to become equals with the Czechs and Slovaks in the federation. As one newspaper said, any ethnic or regional contradiction is an urgent problem facing the new government.

In his administrative program report, Calfa explained Czech foreign policy. For the past half year, Czechoslovakia has vigorously conducted foreign activity and the leaders have frequently gone abroad for visits. They negotiated and signed an agreement with the Soviet Union on withdrawal of Soviet troops from Czechoslovakia and have also actively pursued contacts and cooperation with Western countries seeking to join the European Committee and the European Community. In May of this year, Czechoslovakia proposed changing the functions of the Warsaw Pact and NATO and establishing a new European security system and accelerating the realization of European unity. Calfa restated the above-mentioned foreign policy direction and repeatedly expressed his hope that the European Community would accept Czechoslovakia as a member as quickly as possible. In discussing foreign economic relations, the premier pointed out that the Soviet Union accounts for one-third of Czechoslovak foreign trade and supplies most of Czechoslovakia's raw materials. Czechoslovakia "still regards the Soviet Union as its most important trading partner and has no intention of abandoning the Soviet market." It is willing to explore the possibilities for new mutually beneficial cooperation with the Soviet Union.

#### **Analysis of Internal Conflict in Poland's Solidarity**

90CM0367A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 29, 16 Jul 90 pp 44-45

[Article by reporter Dong Fusheng (5516 4395 3932): "Poland's Solidarity's Internal Contradictions Publicly Revealed"]

[Text] On 1 July at a meeting of the National Citizens' Committee, Polish Prime Minister Mazowiecki publicly acknowledged for the first time that he had differences with Solidarity leader Walesa. He suggested direct talks with Walesa so that "the unavoidable joint consequence of wrangling and struggle would not bury Solidarity." Solidarity came to power less than a year ago, in August 1989.

### Source of the Differences

Early this year, Walesa indicated that the elections should be moved up and that he was willing to stand as a candidate for president. Subsequently, he many times expressed this wish and demanded that the reform process be accelerated. The Parliament and the government headed by Mazowiecki maintained a reserved or opposed attitude toward this. Subsequently, Walesa's criticism and attacks on the work of the government and the Parliament continuously increased.

On 8 May, 43 mainstay members of Solidarity, including Geremek, chair of the Solidarity parliamentary delegation; Michnik, editor in chief of ELECTION REPORT; and Stelmachowski, president of the Senate, held a meeting in Krakow. They expressed their support for the work of the government and the Parliament and stressed that they wanted to engage in building democracy and opposed engaging in one-man despotic government.

Then a group of 38 Solidarity members headed by J. Kaczynski, editor in chief of TYGODNIK SOLIDARNOSC [THE SOLIDARITY WEEKLY], established a "middle-of-the-road consensus" and firmly demanded that Parliament elect Walesa as president as quickly as possible and strongly demanded that reform be accelerated. At a press conference after the meeting, Kaczynski said, "There is conflict between Walesa and Mazowiecki, and the latter is concerned that accelerating reform may damage national and economic stability. We feel that (the result of) advancing by small steps may be ineffective and may endanger stability even more." Thus, the differences within Solidarity between the reform "acceleration faction" headed by Walesa and the faction headed by Mazowiecki became public. On 13 May, Walesa publicly criticized the government and the prime minister and blamed the government for satisfying its vested interests, being too concerned about stability, and putting off reform and he publicly criticized Mazowiecki.

Not long after, at a mass gathering, Mazowiecki criticized Walesa back, stressing the accomplishments achieved in government work and criticizing others for "playing political games" that were threatening democracy. On 1 June, Walesa decided to eliminate the positions of Wujec, secretary of the "Citizens Committee of the Solidarity Chairman" and that of Michnik, editor in chief of ELECTION REPORT, which provoked dissatisfaction and cause the contradictions within Solidarity to become sharper.

Some pro-government Solidarity mainstays met again on 10 June and discussed establishing a "citizens alliance" as backing for the government. Subsequently, at a meeting of local Citizens Committee representatives, Mazowiecki publicly called on the Citizens Committee to become a "political support for the government" and criticized Walesa though not by name. At the same time he decided to convene another meeting of this organization's representatives. Walesa and others refused to

attend the meeting on the grounds that this meeting had not been approved and decided to convene another meeting of local Citizens Committee representatives.

On 30 June and 1 July, Walesa and Mazowiecki attended respectively the meetings of local Citizens Committee representatives they each were holding. Under pressure of the majority of local representatives, neither of the meetings made any important decisions. At the 1 July meeting, Mazowiecki issued a suggestion indicating that he was willing to make peace and the next day Walesa immediately invited him to a meeting at the Gdansk shipyard. At the same time, he invited all members of Parliament and senators to participate. Mazowiecki expressed dissatisfaction with Walesa's unilateral decision on the time and place of the meeting and demanded bilateral joint discussion of relevant matters.

### Central Issues in the Differences

The differences between the two factions focus primarily on the following issues:

1. Should Walesa be supported to become president as soon as possible? The faction of government minister Hall and others who support Mazowiecki don't think that Walesa is the right man to be elected president. Mazowiecki himself has kept his own counsel on this issue, but Walesa's faction has advocated that Walesa be elected president.

2. Who has authority over the local Citizens Committees? The "Citizens Committees of the Solidarity Chairman" were established in December 1988 to participate in "roundtable" discussions with the United Workers Party that was then in power. They currently have over 200 members, primarily Solidarity mainstays and representatives of other opposition organizations of the time. After the "roundtable meetings" local areas established Citizens Committees in order to participate in the parliamentary elections. After Solidarity won in the June general election last year, Walesa instructed the local Citizens Committees to disband. However, the Citizens Committees did not carry out the instruction, but continued as local autonomous organizations. In May of this year, the government used them to organize "nationwide local autonomous organization elections" and carried out a thorough transformation of the United Workers Party's remaining local agencies of political power. In this period, the government and Solidarity, primarily Mazowiecki and others, have maintained contact with these local Citizens Committees through the "Citizens Committees of Solidarity."

Because Wujec took Mazowiecki's side in this internal Solidarity clash, Walesa decided to dismiss him. Many members have announced that they are withdrawing and the "Citizens Committees of Solidarity" are near collapse. Although this is the case, a social force which cannot be underestimated still exists in the local Citizens Committees throughout the nation. As Solidarity mainstay Bujak said, "Whoever controls these Citizens Committees, controls the golden horn and can use it as he



wishes." The government wants to use them as a backup, but Walesa definitely will not consent, and the struggle between the two sides is very fierce.

3. Should the pace of reform be accelerated? Heretofore, Walesa criticized the government and Parliament for acting slowly and procrastinating on reform and demanded that the pace of reform be accelerated. Walesa advocated holding the presidential elections as soon as possible and demanded that the previous government and remnants of the "old system" be eliminated as quickly as possible and the reform of the system and personnel accelerated, and that privatization of the economy be accelerated.

The government stressed that to operate in accordance with the law, everything should be decided by the democratic procedures before being implemented. The government indicated that it would be responsible for the consequences of its actions, refused to accept the blame for delaying reform, and indicated that it wanted to resolutely walk the path chosen.

Walesa criticized the government for engaging in a new monopoly and not truly implementing pluralism. It criticized radio and television for not objectively reporting the facts. The government faction for its part criticized Walesa for engaging in totalitarianism and dictatorship, damaging democratic construction, and said that Walesa wanted to carry out a new absolute monarchy.

#### **Essence of the Differences**

The essence of the differences between the two Solidarity factions is in their different outlooks.

The press thinks that the current internal Solidarity conflict is essentially a struggle for power. Walesa wants to become president, but the opposition faction thinks that Walesa is already "someone who belongs to the

past," he "only stands for strikes and destruction and not for construction," and he "should retire in glory."

Kaczynski, the head of the middle-of-the-road consensus, felt that Solidarity's internal conflict was essentially a "political-ideological crisis." He felt that both sides of the conflict had different political viewpoints on the issues of what sort of Poland they were building and what kind of democracy they were building.

Western observers think that to some degree this conflict reflects the struggle between West European Christian and socialist democratic parties and is mixed in with anti-Jewish tendencies and the struggle of the pro-U.S. and pro-German factions and has a clear religious background.

The influence of the church is strong in Poland and has always been an important force in mastering the development of the situation. After the United Workers Party fell from power, the church urgently hoped that national political power would be "catholicized" and that the church would directly control major authority over such areas as culture and education. The church's hopes could not yet be realized and subsequent advocacy to formulate an anti-abortion law encountered social opposition and has still failed to gain passage in Parliament. In May of this year the church further demanded the universal restoration of religion classes in the schools, permitting the church to enter the realm of education, but this met immediate government opposition. The church was not satisfied with this and criticized the government as "secular leftists" wielding power. On 18 June the pope wrote a letter to Walesa praising him as Poland's "guide." It appears that this internal Solidarity conflict is not unrelated to the role and influence of the church.

Observers feel that both sides of Solidarity have indicated a willingness to make peace and, after this internal conflict is settled mutually, it may achieve a certain degree of peace. But this does not mean that the contradictions have been thoroughly resolved.

## Nanjing MR Seminar Opposes 'Peaceful Evolution'

### Role of Conviction, Initiative

90CM0416A Nanjing QUNZHONG [THE MASSES]  
in Chinese No 8, 5 Aug 90 pp 11-12

[Article by Gu Zhanhong (7357 1455 1347): "Maintain Firm Convictions and Seize the Initiative in the Struggle Against 'Peaceful Evolution'"]

[Text] **Editor's Note:** From 13 through 16 June, a certain PLA [People's Liberation Army] unit in the Nanjing Military Region [MR] convened a seminar on socialist countries' opposition to peaceful evolution. Airing the problem of opposing peaceful evolution is extremely important. Hostile forces in Western countries have never relaxed their plot to carry out a campaign of peaceful evolution against socialist countries. Under the new circumstances in which the struggle between the socialist and capitalist ideology has become sharp and complex, the struggle between peaceful evolution and opposition to peaceful evolution has become the main form of struggle today between the capitalist and socialist systems. In recent years imperialist forces have stepped up infiltration and subversion of socialist countries, and, because of the interplay of internal and external factors, the political situation in some socialist countries has undergone dramatic changes. As spring was turning into summer in 1989, political turmoil and counterrevolutionary riots also took place in China. This has made people feel clearly the extreme importance of the struggle against peaceful evolution. At the seminar that a certain PLA unit recently convened, everyone made a comprehensive survey of the international macroclimate, analyzed the dramatic changes in some socialist countries, as well as the serious political struggle that occurred in China during 1989, took a clear-cut stand, and gained a profound understanding. Several articles have been excerpted here that may be able to provide inspiration.

### Conviction and Initiative Seen as Key Defenses

The conduct of peaceful evolution against socialist countries has been a long-term strategic goal of imperialist forces. The peaceful evolution strategy that hostile Western forces are conducting in today's circumstances means that a future struggle and contest of strength between the capitalist and socialist systems under new historical conditions will be conducted on a worldwide scale. Faced with this, our policy is first, not to be afraid; and second, resolute opposition. With maintenance of socialist convictions and establishment of confidence that socialism is bound to win as a premise, we must seize the initiative in the struggle against peaceful evolution.

The pursuit of peaceful revolution by hostile Western forces is a new strategy under new historical conditions. In the beginning, when the first socialist country was born, the bourgeoisie in all the Western countries joined together to carry out armed interference in a truculent

use of force. However, it was not long until their military containment completely collapsed. In 1960, Kennedy had to lament that, militarily, this was an "impossibility." "Hollow hopes were mercilessly shattered." Today they have resorted to the peaceful evolution strategy in an effort to change the socialist system and its trend of development, but they have not considered that, in the final analysis, things that were not obtainable through the use of armed intervention and military encirclement cannot be obtained through the use of peaceful evolution! Make trouble and fail; make trouble again and fail again until extinction. This is the logic of imperialists, and they positively cannot act contrary to this logic.

In the struggle against peaceful evolution, we must establish a staunch conviction that capitalism is bound to be destroyed and that socialism is bound to be victorious. That socialism will ultimately replace capitalism is a certainty in historical development. Since it is a new system, socialism can scarcely avoid detours and repetitions in the process of its development. Lenin said, "To imagine that the history of the world will have smooth sailing in its forward development and that there will not be times when it will take huge leaps backwards is not dialectical and not scientific, and it is also incorrect in theoretical terms." For more than 100 years, the international communist movement has moved ahead and developed despite detours. Today, because of the enduring role of various historical and practical, internal and external, subjective and objective factors, dramatic changes have taken place in some socialist countries. This is also just an eddy in the long historical river of socialism that cannot represent the direction of historical development, much less mean the collapse of socialism. Thus, in today's circumstances, there is no reason for us to waver in our socialist convictions or lose confidence that China can maintain a socialist course and realize socialist modernization. On the contrary, we should absorb profound lessons from the dramatic changes in some socialist countries, formulate specific countermeasures against the characteristics, tactics, and methods of "peaceful evolution" that hostile Western forces employ, seizing the initiative in the struggle against peaceful evolution.

We must perform all domestic tasks well so as not to give hostile Western forces opportunities they can use for "peaceful evolution" activities. Good performance in party building and the strengthening of ideological work should form the basis for doing a better job with nationalities. We should do a genuinely good job in relations among nationalities to maintain stability and development in [minority] nationality areas. At the same time, we must resolutely stamp out all illegal organizations, keep close watch on the activities of a small handful of people who plot disturbances, and resolutely suppress the extremely small number of hostile elements and counterrevolutionary thugs who vainly seek to overturn the leadership of the Communist Party and subvert the socialist system.

Hostile Western forces use the opportunity that reform and opening to the outside world in socialist countries provides to perpetrate peaceful evolution. Carrying out reform and opening to the outside world in this specific climate requires that we remain clearheaded at all times and maintain a correct concept of reform. In the process of reform and opening to the outside world, we must more staunchly adhere to a socialist orientation and actively perfect and develop socialism's own mechanisms, the better to give free reign to the superiority of socialism. We must take our own path of development as national circumstances dictate, resting our development strategy on a foundation of self-reliance. We must not forget sovereignty, not forget national standards, and not lose national self-respect. We should not close the country to international intercourse, but we should also be self-reliant. We positively should not rely on others or be at the beck and call of others. In the course of reform and opening to the outside world, we must correctly understand and carry out the party's basic line and all plans and policies, guarding against blowing hot and cold. Among the broad masses of party members and the public at large, we must unflinchingly carry out ideological education as well as education in the revolutionary tradition in communism, socialism, patriotism, collectivism, self-reliance, and arduous struggle. We must enhance national self-respect and self-confidence, promote use of Marxist concepts in studying and analyzing new situations, solve new problems, improve people's ability to use the scientific Marxist world view and methodology in analyzing, differentiating, and criticizing various erroneous trends of thought, and consciously oppose corrosive bourgeois ideology.

When a fence is anchored well, jackals and wolves cannot burrow in. So long as we do a good job of building our own economy and other endeavors, and do a good job of building the party so that socialist endeavors can move ahead steadily, while simultaneously keeping a clear head and a high degree of vigilance, and adopting various ideological, political, and organizational opposition measures for the shaping of a complete strategy in opposition to peaceful evolution, we will be able to seize the initiative in opposing peaceful evolution to smash the peaceful evolution plot of hostile forces.

#### Role of Class Consciousness

90CM0416B Nanjing QUNZHONG [THE MASSES]  
in Chinese No 8, 5 Aug 90 p 12

[Article by Qiao Wanjun (0829 8001 6511) and Wang Chunsheng (3769 2504 3932): "Bolster Class Consciousness To Prevent Peaceful Evolution"]

[Text] Peaceful evolution and opposition to peaceful evolution are essentially a long-term and complex international class struggle. In order to effectively oppose and smash the "peaceful evolution" plot of the imperialist forces, we must bolster proletarian class consciousness, do a thoroughly good job of heightening class vigilance to

oppose "peaceful evolution," and build a solid ideological defense line to oppose infiltration, oppose subversion, and oppose "peaceful evolution."

A look back to the decades of the 1950's and 1960's following the founding of the People's Republic shows that we created and accumulated numerous successful experiences in nurturing and training up successors in the proletarian revolutionary cause, and in guarding against the "peaceful evolution" perpetrated by imperialist forces. One very important such experience was bolstering the class consciousness and class struggle concepts of the broad masses of people. Class consciousness became wealth for the masses under the guiding thought at that time of "taking class struggle as the key link" is wrong but bolstering of class consciousness is necessary. It was able to mobilize the masses and organize the masses to oppose feudalistic and bourgeois class consciousnesses. Proletarian class consciousness remains a spiritual mainstay of the broad masses of people in struggling for the socialist cause. At that time, the proletarian sense of the mission of workers, peasants, PLA soldiers, and the broad masses of young people was extremely strong. There was strong confidence and a spirit of willingness to give all to the cause of socialism at all times. No one was willing to "suffer oppression and exploitation all over again," or to return to a society in which man exploited man and man oppressed man. A high degree of vigilance was maintained against the resurgence of capitalism and capitalist peaceful evolution. We particularly stressed that the proletariat should occupy the ideological realm so that imperialist psychological warfare and the corrosiveness of decadent bourgeois ideology had no room to maneuver. Although hostile Western forces schemed to infiltrate at that time, there were no opportunities for infiltration. During the past several years, however, we have neglected, or even given up educating the young generation in a proletarian consciousness, with the result that some people know virtually nothing about basic Marxist concepts and basic Marxists methods such as class opposition, class struggle, class standpoint, class mission, and class analysis. This void in class consciousness has created mistaken political positions and has muddled thinking about political rights and wrongs. That so many youths were drawn into the campus unrest and riots of 1989 attests to this point. The lessons of historical experience tell us that bolstering proletarian class consciousness is extremely necessary.

We are currently in the initial stage of socialism, and, although class struggle is not the main contradiction in our society, it will continue to exist for a long time to a certain extent, and may intensify under certain conditions. Its objective existence means that we must maintain the concepts of class and class struggle, and make them an important foundation for understanding complex social phenomena. In the ideological and political fields, in particular, an ideological system that reflects the class interests, political stand, and value concepts of the bourgeoisie always seeks to be strongly expressed to poison people's thinking. The unbridled bourgeois liberalization trend of thought of recent years is, in essence, a

class struggle between the bourgeoisie and the proletariat. If we relax vigilance and remain indifferent, we can easily be taken in to become unconscious prisoners of the bourgeois liberalization trend of thought. Therefore, we must clearly realize the new situation and the new characteristics of the present class struggle, and apply the concepts of class struggle to observe and analyze complicated social phenomena in the nature of class struggle. This is the only way in which to maintain a clear head and a firm and correct political orientation.

World peace and development have become two main themes in the world today. This does not mean a watering down of the international class struggle, however. In fact, confrontation and competition objectively exist at the same time as friendly international intercourse, and a fundamental antagonism between the two systems exists. There has been no change in the class attributes of developed capitalist countries; there has been no change in the thinking and actions of the Western bourgeoisie in relying on capitalist political and economic forms, value concepts, and way of life to change the face of the world; and there has been no change in the competition between socialist countries and capitalist countries. Since socialist countries instituted reform and opening to the outside world, hostile Western forces have used economic assistance and technology transfers in an effort to entice socialist countries to carry out political pluralization and to privatize their economies and make them market-driven. After China halted the disturbances and put down the counterrevolutionary riots in 1990, some people instigated so-called "economic sanctions," unscrupulously interfering in China's internal affairs. This shows clearly that they have never abandoned their basic position of hostility and subversion of the socialist system. They select mostly a strategy of "peaceful evolution," and they use the temporary difficulties and the reforms under way in socialist countries as opportunities to infiltrate and influence in an effort to wage a "war without gunsmoke." Given these circumstances, we will have to make use of the international climate of peace and development to bring in from the West advanced technology and capital for our own use to accelerate China's socialist modernization. At the same time, we must never forget the class character of the bourgeoisie, and we must maintain a high degree of vigilance against the peaceful evolution scheme of imperialist forces. This is the only way to adhere to a correct orientation in reform and opening to the outside world, the cause of socialism thereby being in an invincible position forever.

### **New Tactics To Undermine Socialism**

90CM0416C Nanjing QUNZHONG [THE MASSES]  
in Chinese No 8, 5 Aug 90 p 13

[Article by Huang Xinghai (7806 5281 3189): "New Features in Hostile Western Forces Pursuit of Peaceful Evolution"]

[Text] The strategy of peaceful evolution was put forward by imperialism. The goals that hostile Western forces have pursued against socialist countries through the use of this strategy have never changed during the past many decades. However, as changes have occurred in the world situation, the methods and substance of tactics have exhibited the following new features:

First, the main "evolution" front is in the ideological field. Peaceful evolution is "warfare without gunsmoke," which is to say that it uses ideological infiltration to cause degeneration and deterioration in order to bring about changes in the nature of political power. In recognition of the decisive significance of "ideological appeals" in carrying out the strategy of peaceful evolution, some bourgeois statesmen have stated explicitly that "it is ideology that ultimately plays a decisive historical role." Although this formulation smacks of historical idealism, it also shows the importance they attach to the ideological field. They have adopted a "psychological attack first" strategy, emphasizing ideological and cultural infiltration while conducting economic and political infiltration. They use cultural exchanges and modern dissemination media to loudly peddle Western concepts centering on individualism, democracy, freedom, and human rights, as well as a decadent way of life to socialist countries in an effort to supplant socialist spiritual civilization guided by Marxism, causing the masses of people to lose their spiritual support and struggle objectives, and to incite dissatisfaction and antagonism against socialist and the Communist Party.

Second is the use of legal channels to conduct peaceful evolution activities. During the cold war era when two systems confronted and blockaded each other, imperialism was able to pursue peaceful evolution only through secret channels. The socialist countries' institution of an opening to the outside world is of crucial importance to socialist modernization, but as international exchanges increase, imperialism uses all sorts of legal channels to engage in activities to "change the communist regime." For example, the United States uses personal contacts to sow capitalist so-called "seeds of freedom," to carry out ideological and cultural infiltration, to enlist pro-U.S. forces, and to foster, support, and to buy over antisocialist and anticommunist so-called "holders of different political views" inside socialist countries. They pay particularly close attention to "nurturing" young intellectuals, investing capital in the cultivation of the next pro-West generation, and "pinning their hopes on the third and fourth generations in socialist countries."

Third is acting under the guise of supporting reform in socialist countries to proselytize the Western political, economic, and cultural system in a vain effort to reverse the direction of reforms. Socialist reform is socialist self-perfection. Nevertheless, a genuine problem of direction exists in reform, to which hostile Western forces are extraordinarily sensitive. They suppose that socialist countries' practice of reform and opening to the outside world provides them a historical opportunity to



launch a peaceful evolution offensive. A 1981 United States International Exchange Office official-use-only document said the following about Chinese reform and opening to the outside world: "This is an extremely fine opportunity such as has not existed since 1949 for the genuine acceptance of Western ideological influence and Western value concepts. We must use all our ideological influence, and make sure to select the fields that hold promise for intervention, that generate long-term effects, and that can obtain the greatest response" as the "key points" for "ideological infiltration." They assumed a posture of enthusiasm for assisting China's reform and suggesting ways and means for reform in order to proselytize a host of Western things such as a greater role for markets in the economy, political pluralism, and greater ideological freedom. They tried in vain to use such a view of reform to influence our policies, and to lead reform and opening to the outside world astray.

Fourth is efforts to find points for attack, to stir up trouble, and to damage the stability and unity of socialist countries. Hostile Western forces understand very well that the more stable, more united, and more prosperous socialist countries become, the greater the difficulties for "peaceful evolution." Therefore, they resort to all sorts of odious tricks to engineer and stir up internal disturbances in socialist countries. 1) They compare the past nearly 20 years of relative stability and development of Western countries' economies with the varying degrees of economic difficulties in socialist countries in the unbridled propagandizing of the "vitality" of capitalism, while deprecating the superiority of socialism to shake people's confidence in socialism and cause the people to lose centripetal force. 2) They exaggerate the errors that socialist countries have made to shake people's faith in the Communist Party and their confidence in communism. A special committee made up of the Central Intelligence Agency and other organizations in the United States requested that newspaper publicity "pay attention to weaknesses in Marxist societies," particularly weaknesses in the economic field. They said that assaults against these weak points would spell the beginning of the "downfall" of communism and a "major collapse" of communism. 3) They fabricate rumors to

mislead people, and they incite and expand disturbances. They regard the "Voice of America" as "a force for setting fires" in socialist countries. During the 1990 disturbances in China, the "Voice of America" fabricated and broadcast a large amount of sensational rumors in a vain effort to enlarge the tumultuous situation in order to use the disturbances to promote change.

Fifth is the application of economic techniques both to entice and to pressure. Enticement tricks are of two kinds: First is the use of economic strength to attract targets. The Western bourgeoisie use their economic strength like a "super cannon." Right after World War II, the United States instituted the Marshall Plan, which brought about the revival of Western Europe, and since the 1960's it has powerfully supported Asia's "four small tigers." The "economic defense line" that the West has erected on both the eastern and western flanks of socialist countries has now become a front line whose economic power they use to backstop the "peaceful evolution" offensive launched against socialist countries. They use their "riches" to entice others. Second is the use of economic assistance as bait to lure socialist countries to incline toward the West. Western countries conspire to use economic relations, trade, and assistance to socialist countries to "bind" socialist countries "together with the West," and ultimately bring them into the capitalist orbit. If "enticements" do not succeed, they employ high-pressure policies in which the main Western powers act in unison. In 1989, when China quelled the riots and smashed the fond dreams of hostile Western forces to bring about a "peaceful evolution" in China, they flew into an angry rage to which their economic sanctions against China attest.

In their promotion of the peaceful evolution strategy, hostile Western forces constantly resort to new techniques, and play new tricks, which we must diligently study and counter. So long as we Communists remain highly vigilant, unswervingly carry out the party's basic line, and persevere in "a single center and two basic points" to build an ideological defense line against "peaceful evolution," the "peaceful evolution" plots of hostile Western forces will not succeed in China.

## NATIONAL AFFAIRS, POLICY

**Need To Survey Industrial, Agricultural Costs**

90CE0456A Beijing JIAGE LILUN YU SHIJIAN  
[PRICE: THEORY AND PRACTICE] in Chinese No 7,  
20 Jul 90 pp 12-15

["Text" of speech by Cheng Zhiping (2052 5268 1627), director, State Commodity Prices General Administration, given before the Industrial Pricing Survey Work Conference, date and place not specified: "Conduct a Satisfactory Survey of Costs in Order in Order To Help Improve the Economic Environment, Rectify the Economic Order, and Intensify Reform"]

**[Excerpt] The Significance of Surveying Industrial and Agricultural Costs**

In order to do commodity pricing we must conduct a survey of costs, because we must honor the law of value and handle matters accordingly. Marx once said that price fluctuations must be governed by the law of value. Lenin also said that prices are the manifestation of the law of value, and value is the law behind prices. Costs are the monetary manifestation of the primary component in value. To do commodity pricing it is essential to study the profit to investment ratio and the profit to wages ratio on commodities, and it is also necessary to study the cost to profit ratio on specific varieties. These are all tied to costs.

Commodity pricing work is composed of three parts: cost surveying, price formulation and adjustment, and price supervision. The number one key component is costs. In economic matters one cannot ignore costs. When I paid a visit to Eastern Europe, the director of the Yugoslavian Commodity Pricing Bureau told me that they have a complete set of cost data compiled through their own surveys, not supplied by other departments. The chairman of the Soviet Commodity Price Commission also told me that their cost data are most complete. China's State Commodity Prices General Administration, the various departments concerned, and local commodity pricing bureaus have historically stressed price surveys. Since 1978 the State Commodity Prices General Administration has coordinated with the ministries and commissions concerned to survey costs on several dozen key agricultural products. The investigation, having continued for several years, has become an institution. The State Commodity Prices General Administration, the departments concerned, and local commodity pricing bureaus have also focused on surveying industrial costs, and some provinces have also institutionalized this practice. Now we must make industrial cost surveying an everyday job for the State Commodity Prices General Administration and other relevant departments, institutionalize it, and pursue it consistently.

**1. Cost Surveys Are Formulated Based on Price Adjustment**

On major problem we have run into regarding price reform is the question of what is a reasonable price? And how are we to reorder pricing? We can summarize the answer in four phrases: A reasonable price generally approaches the value of the object, essentially conforms to supply and demand, complies with policy requirements, and reflects international norms. The first of these requirements is the most essential: value is the basis of pricing. Therefore we must study costs and probe values.

There are three kinds of prices now in effect in China. To formulate and adjust state-fixed prices and state-guided prices, we must have an immediate grasp of cost fluctuations. For example, the cotton procurement price is fixed by the state, currently at 300 yuan per dan because a cost analysis shows that 300 yuan is what it takes to sustain production. As for charges on major price-deregulated commodities and services, when necessary we must also take costs and supply and demand into account and adopt essential measures to guide and intervene.

**2. Cost Surveys Are the Basis for Drafting a Pricing Plan**

In 1981 and 1983 the former State Council Price Research Center and the State Commodity Prices General Administration initiated theoretical price forecasting on a large scale, surveyed production costs and detailed material consumption on more than 1,000 kinds of industrial products, and drew up a large-scale input-output chart. This provided a large quantity of data for the price reform plan and played a major role in promoting price reform at that time. In 1985 the National Industrial Survey Office conducted a survey on costs and prices associated with 1,000 kinds of standard industrial products, and essentially discerned pricing levels, cost composition, and the proportion of several different forms of pricing for major products from various trades and industries. This data played an important role in reforming prices on the means of production. Right now we are drafting the Eighth 5-Year Plan and a 10-year plan, and we need to forecast target prices. Without this data—if we do not study costs and cost trends—it will be very difficult to draft these plans. As we have intensified reform and opened more to the outside world, the price management system has also changed. Some of the authority for setting prices on commodities that previously were regulated by the government is gradually being passed on to the localities. Simultaneously, enterprises are gradually being given more authority to set prices on their own, some prices have been completely deregulated, and a dual-track system has appeared in pricing industrial production materials. These things have broadened the coverage of costs research and enhanced our understanding and grasp of the significance of cost. In the past few years obvious inflation has appeared, and if we are to further improve the economic environment, rectify the economic order, and intensify

reform, we must improve economic returns and decrease and control costs. I have studied the cost data on the Shanxi coal industry, and I conclude that if Shanxi doubled production in the next 20 years, and if we put many new mines into operation, while abandoning very few old ones, we could keep costs from increasing. In the past, statistics on the coal industry indicated that because mining conditions were deteriorating costs should rise by three percent per year. However, last year's cost of coal grew only 13 yuan per ton. We must study the situation to find out why. It is unacceptable not to study costs or take appropriate steps.

### 3. Cost Surveys Are Necessary To Make Pricing Policies More Democratic and Scientific

The CPC Central Committee has historically underlined the need for state organs to do a great deal of investigative research. Recently the Sixth Plenary Session of the 13th CPC Central Committee issued a special resolution requiring us to improve our leadership style and send government functionaries down to the grassroots level to become acquainted with practical conditions. The job of cost analysis is intrinsically one of investigative research: It is the concrete manifestation of our implementation of the mass line, which derives from the masses and applies to the masses. The Sixth Plenary Session wants to make decisionmaking more democratic and scientific, and pricing policies should also be more democratic and scientific. Authentic, complete cost data are the basis upon which we can make pricing policies more democratic and scientific.

### 4. Cost Surveys Are an Effective Means of Controlling Enterprise Behavior and Encouraging Enterprises To Improve Economic Returns

Investigating and becoming acquainted with industrial product costs is an internal control on enterprise pricing behavior. Through investigation we can learn the composition of product costs and understand the chief factors that influence changes in those costs. This enables the state to keep abreast of the production and operating conditions that affect each trade and industry, and it provides a true and reliable basis for commodity pricing departments at all levels to manage prices. Doing a satisfactory job of surveying industrial costs is extremely important not only for price management, but also for promoting enterprise business accounting and improving economic returns. Our investigation of industrial costs may, on the one hand, spur enterprises to enhance their cost accounting on industrial products, while on the other hand, by comparing product costs among various enterprises in the same industry, uncover the means to lower costs and increase profits. This is crucial for improving the quality of enterprise operations management, and it is an effective way for commodity pricing to serve enterprise. [passage omitted]

### Tax, Profit Separation 'Improves' Contract System 90CE0341A Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 6, 23 Jun 90 pp 7-9

[Article by Fu Fengxiang (0265 0023 4382) and Chen Xingdong (7115 5281 0520): "Separation of Taxes and Profits and After-Tax Contract System Are Improvements and Developments of the Contract System"]

[Text] We have had wide-ranging discussions and experiments on the issue of separating taxes and profits in both theory and practice. But some people now mistakenly believe that the separation of taxes and profits and the enterprise contract management responsibility system contradict and reject each other. In fact, judged from the situation of the experiment of separating taxes and profits in such cities as Chongqing and Xiamen, the separation of taxes and profits and the after-tax contract system are ways to combine the strong points of the tax-for-profit and the contract systems and to improve and develop the contract system.

### Assessment of the Pros and Cons of the Contract Management Responsibility System

Undoubtedly the contract management responsibility system is a road found during the enterprise reform. It is an invention of Chinese socialist style. Judged from several years of practice, the contract system suits China's existing cultural quality and management level. And implementing the contract system at every level should be considered scientific. As a matter of fact, major achievements of economic development in the past few years are inseparable from the implementation of the contract system. Especially in 1989, affected by political disturbances, China adopted the "double-tight" macroeconomic policy. Under this circumstance, thanks to the contract system, enterprises were able to maintain political stability and increase economic adaptability.

However, some problems have also arisen in the development of the contract system although some of them are not inherent in the contract system itself. The first problem is before-tax loan repayment. Under the contract system, loans may be repaid before or after taxes. However, before-tax loan repayment should be viewed from the angle of history. In 1981, in order to increase market supply and exports, the before-tax loan repayment system was first implemented in the light and textile industries. Later this practice was expanded in the course of substituting tax payment for profit delivery. At that time there were a large number of old state-run enterprises which were unable to replace and update their obsolete equipment. In order to revitalize these enterprises, they were allowed to repay special loans for state-run enterprises before taxes. Facts prove that this enabled many enterprises to replace and transform their equipment. The problem is that this practice was inappropriately extended to all enterprises; not only state-run enterprises but collective enterprises also adopted the

before-tax loan repayment system. As a result, all enterprises rushed to get loans. By doing so, 60 to 70 percent of loans were actually repaid by the state. Besides, since the status of enterprise and the rank of plant directors and managers are determined by the scale of enterprise, each and every enterprise was vigorously trying to get more loans. Hundreds of thousands of enterprises were doing the same thing across the country, thus resulting in the malignant expansion of the scale of enterprises. It caused many enterprises to carry out the simple repetition of low-level production, the number of undersupplied goods to decline, the number of oversupplied goods to increase, and economic structure to worsen still. It also led to economic overheating and monetary inflation.

At the same time, due to the existence of various contradictions in the structural reform, enterprises did not fully enjoy their enlarged decision-making power. In many cases, the main subject of enterprise transformation was not the enterprise. Power was still controlled by government organs. So the expansion of enterprise scale could not all be blamed on enterprises. These flaws in our systems also caused the financial situation to deteriorate and nominal tax rates to deviate from actual tax rates. Currently about 30 percent of income taxes are actually received by the state. This figure is declining by three to four percentage points every year. Because income taxes are also included in the "contract," unauthorized tax exemptions and reductions have become a fairly common phenomenon in all localities, thus eating away more and more state revenue which is less than 20 percent of national income. In addition, it also caused enterprises to become heavily in debt. The total amount of debts of all enterprises is about 150 billion yuan, equivalent to several fold of actual annual profits. Such a heavy burden plus enterprises' poor economic returns have made the problem even more serious. Because of this, our top priority now is to study and solve the problem of before-tax loan repayment.

The contract system included not only income taxes but also circulating taxes in the contracts, thus leading to greater flaws. But there was no alternatives at the time. The 55 percent income tax rate was too high and many enterprises had to pay regulatory taxes. The remaining profits were so insignificant that contracts were not worth signing. Thus income taxes had to be included in the contracts. In addition, financial contracts signed by the central government with local authorities have actually weakened circulating taxes. Because of this, the tax lever has become basically useless. At the same time, including income taxes in the contracts has also weakened the supervision and management of tax departments over the cost of enterprises. The reason why enterprises' bookkeeping work was so disorganized in the past few years is not totally irrelevant to the practice of including income taxes in the contracts. Of course this problem is not inherent in the contract system. It is caused mainly by the fact that the income tax rate is too high. In 1986 we studied the feasibility of separating

taxes and profits and planned to reduce the income tax rate to 35 percent. About 40 percent of income taxes were actually received by the state at the time. However, due to one reason or another, our plan did not materialize.

The second problem of the contract system is short-term behavior. We think that this is not caused by the contract system. On the contrary, if the contract period is set properly and if contractors are given clear input and output goals and demands, the contract system will encourage managers and enterprise staff and workers to show concern for and concentrate energy on the development and improvement of their enterprises. As a matter of fact, many large and medium-sized enterprises have paid attention to short-term returns as well as long-term development. Needless to say, many enterprises have indeed shown short-term behavior in the course of contract. We think that there are two causes for short-term behavior: 1) Some localities were too hasty in promoting the contract system. The first round of contracts were carried out hastily. They failed to give thorough considerations when signing the contracts and to make careful preparations. They had both technological and methodical problems. 2) The tenure system was not well coordinated with enterprises' long-term development goals, causing plant directors and managers to consider only work within their tenure and fail to give enough consideration to long-term economic development. Of course, the short-term behavior of the contract system was related to a certain degree to the short-term behavior of the government.

Another problem of the contract system is that some enterprises rely on price increases to increase workers' bonuses and welfare. The most important target of contracts is profit. The higher the profit, the greater the profit retention of enterprise will be. Of course, this should not be blamed completely on the contract system. It is related to the overheating of macroeconomy at the time. When market demand outstripped supply, enterprises could rely on price increases to increase profits. But after China adopted a macroeconomic retrenchment policy and after market sales declined, it was impossible for enterprises to rely on price increases to increase profits.

#### **The Necessity of Separating Taxes and Profits and Implementing the After-Tax Contract System**

In view of the problems in the contract system, we are required in practice to improve and develop the contract system to develop its advantages and eliminate its disadvantages. From now on the direction of our reform is to consider public ownership as the basis and allow the co-existence of different ownership systems. Therefore, to help encourage fair competitions among enterprises, income tax rates must be unified. They should not be different because of different ownership systems. Otherwise, state-owned enterprises would be undoubtedly affected because the income tax rate of private enterprises is 35 percent, that of foreign-funded enterprises is



30 percent (not including local surtaxes), and that of state-owned enterprises is 55 percent.

In China, the state has two functions: the function of a manager and the function of an owner. As a manager, the state levies unified income taxes on all enterprises regardless of their ownership systems and locations. As an owner of the property of state-owned enterprises, the state participates in the distribution of after-tax profits. Only by separating taxes and profits and implementing the after-tax contract can we smooth out the relation of distribution between the state and the enterprise.

Judged from central and local financial relations, the existing financial contract system also needs to be reformed and improved. Under the condition that responsibilities and rights are clarified, we should gradually implement the separated central and local tax system or the separated tax and contract system which combines the separated tax system and the contract system. If enterprises' income taxes are included in the contracts, it would be impossible to implement the separated tax system.

Of course, when separating taxes and profits, we cannot demand that all enterprises do the same. Especially before prices are straightened out, we should allow a small number of large-scale backbone enterprises which need to be developed and transformed to catch up with the world's advanced enterprises to implement the policy of two guarantees and one link and to include their income taxes in their contracts. But the number of such enterprises should be limited, say, to 100. As for other enterprises, they must be readjusted, and step by step implement the systems of separating taxes, profits, and after-tax contracts.

The concrete contents of the systems of separating taxes and profits and after-tax contract may be summarized into five phrases: lowering income taxes, cancelling regulatory taxes, after-tax loan payment, separating taxes and profits, and after-tax contract. The actual effect of setting excessively high income tax rates is really not very good. It causes nominal tax rates to divorce from actual tax rates. For instance, the income tax rate of state-run enterprises is set at 55 percent, but only around 30 percent is actually received by the state. Because of this, when setting income tax rates, we should consider the interests of both the state and the enterprise. Especially now we need to give special consideration to the state's financial difficulty. In 1986 we went to Shanghai and Changzhou to carry out investigations. At the time, income tax rate was set at 35 percent, and only 10 to 20 percent of enterprises could not afford to pay it. Now probably 40 to 50 percent of enterprises cannot make it. Xiamen experimented with the separation of profits and taxes. It reduced income tax rate to 15 percent. Although this is not anything worth to be popularized, but it has explained two things: One is that although Xiamen City

lowered its income tax rate, it did not suffer any reduction of income for it made up the difference through the sharing of profits. The other is that the distribution mechanism of the state and the enterprise was changed through the pilot units, which is a valuable experience and is worth to be studied. Therefore, we may consider setting the income tax rate at the level of the enterprises of three capital sources and lowering it to 33 percent. We should also implement the systems of separating profits and taxes and after-tax contract as soon as possible in connection with the next round of contracts. Otherwise, after a while, the actual income tax rate may drop further; in order to suit enterprises at different levels, it may be more appropriate to implement the progressive income tax system.

#### **Adopting Different Measures To Solve the Problem of Old Loans in Light of Different Situations**

Solving loan repayment problem is a relatively complicated issue. It is also a crucial issue in separating taxes and profits and implementing the after-tax contract system. We should consider not only the repayment of old loans but also the development stamina of enterprises. Here we must clarify first that all new loans must be repayed after taxes. There should be no exceptions under any circumstances. As for old loans, we should come up with some kind of a solution. In principle, old loans should also be repaid after taxes but in accordance with different situations. For this, we need to find and formulate through pilot units a series of feasible policies. Here are some opinions of principle:

1. Enterprises which have good economic returns and a high profit level should repay their loans with after-tax profits.
2. Enterprises which have good social returns but poor economic returns may be allowed to repay a part (or a large part) of their loans with before-tax profits.
3. If an enterprise suffers financial difficulties caused by changes in market situation that is beyond enterprise control or by the policy mistakes of government organs, its old loans should be repayed jointly by the state, the bank, and the enterprise.
4. We must clarify here that the part of after-tax profit used to make loan payments should be exempted from the levy of "two funds" (the energy and communication fund and the budget regulation fund). This is because under the before-tax loan repayment system, the part of before-tax profits used to make loan payment is also exempted from the levy of "two funds."

To increase enterprises' ability to pay back loans, especially enterprises producing new high-tech products, we should consider raising their depreciation rate. This is because the money enterprises use to repay loans comes from two funds: depreciation and production development funds. The current depreciation rate is too low and is not favorable for enterprises to carry out innovation, transformation, and structural readjustment.

### Various Forms of After-Tax Contracts

On the question of how to sign a contract of after-tax profits, we think that we can use existing contract methods such as guaranteeing progressive increases, sharing above-quota profits, and sharing profits at a set ratio or a progressive ratio. This will inevitably result in the situation where each household has a different rate. In the future we may take into consideration the profit rate or the use fees of funds of different industries and mete out measures for the profit or dividend sharing of every industry.

Judged from the situation of pilot units, we think that the state's share of after-tax profits should be delivered to the state property management department and used to enforce the state's industrial policy. With regard to those enterprises whose development is encouraged, the state may use this money to issue low-interest or interest-free loans. The state also may return its share of after-tax profits back to the enterprise. As for those enterprises whose development is restricted, the state should collect a part or even a large part of their profits. Only by so doing can we facilitate the readjustment of enterprises' existing assets, achieve the goals of the state industrial policies, and give sufficient staying power to those enterprises which need development.

## PROVINCIAL

### Preface to Book on Xinjiang Development Strategy

90CE0507A Urumqi XINJIANG RIBAO in Chinese  
17 Aug 90 p 4

[Article by Wang Enmao (3769 1869 5399), first secretary of the Xinjiang Regional Area Command from 1981-85 and since then vice chairman of the CPPCC and chairman of the Xinjiang CPC Advisory Committee; title added by editor: "An In-Depth Study of Xinjiang Economic Development Strategy—Wang Enmao's Preface to *A Study of Xinjiang Economic Development Strategy for the Year 2000*"]

[Text] Guided by basic Marxist theory and in close line with China's national conditions, the 13th CPC Congress advanced the basic line that the PRC is in the initial stage of socialism, and proposed our future economic development strategy, which initiated a new phase in our opening up to the outside world and economic development. Faced with this new phase, the Xinjiang Autonomous Regional CPC Committee and People's Government promptly asked, "How should Xinjiang's economy be developed in this new phase?" and called on the vast numbers of cadres, professionals, scholars, and people of insight in all areas and sectors throughout Xinjiang, to offer advice on ways to formulate an "operable" development strategy program. Xinjiang has done much work in this area over the last two years, of which one major achievement is a book edited by comrades Jin Yunhui [6855 0061 6540] and Liu

Zonghao [0491 1350 3493], *A Study of Xinjiang Economic Development Strategy for the Year 2000*.

Xinjiang is located on the PRC's northwestern border, is our biggest multinational autonomous region, has a vast territory and rich resources, is a still-undeveloped national treasure-house, enjoys many exceptional advantages, and has great growth potentials in all areas. Developing Xinjiang not only will strengthen Xinjiang's economy and speed up our national economic development, but also will play an enormous strategic role in preserving national unity, enhancing unity between nationalities, and consolidating and developing the stability and unity of our political situation. In the four decades since the founding of the PRC, and since the Third Plenary Session of the 11th CPC Central Committee in particular, Xinjiang has achieved great successes in all areas of socialist modernization, made earthshaking political, economic, cultural, and social changes, presented a heartening picture of prosperity both north and south of the Tianshan Mountains, and laid a solid foundation for its future economic development.

Along with the developing needs of PRC socialist modernization, the focus of our national economic development strategy is bound to shift from east to west, and turn Xinjiang into a key base for making the PRC a great socialist power in the 21st century. Thus, in line with the policy of active development, emphasizing priorities, and making steady advances, and based on certain development plans made in the 1980's and our improvement of the economic environment and rectification of the economic order over the next three years, we should steadily develop on a broader scale and at a faster pace in the 1990's, in order to pave the way for Xinjiang to become one of the PRC's key economic bases in the 21st century. As far as Xinjiang's current development and basic conditions are concerned, we should be able to turn Xinjiang into a national base for grain, cotton, beets, melons and fruits, the livestock industry, cotton and wool spinning, sugar refining, the food industry, oil and petrochemicals, coal and coal chemicals, salt and saline chemicals, and nonferrous and rare metals. The current key to accomplishing this is to continue to make solid plans in the following fields of development:

1. Premised on vigorously building irrigation works, doing a good job of planning for drainage areas and tackling problems in a comprehensive way, building reservoirs, developing headwaters, and drilling wells to make use of underground water, we must vigorously develop and utilize our land resources, devote major efforts to developing agriculture, focus on increasing our grain, cotton, oil, sugar, and melon and fruit outputs, and energetically develop a livestock industry which integrates grasslands and farming zones with urban and rural areas, in order to adapt to Xinjiang's needs for large-scale development.

2. We must vigorously develop our communications and transportation, speed up construction on the western section and multiple tracks for the Lanzhou-Xinjiang Railway, develop highway and air transportation, open up more international and domestic flights, enhance our

transport capacity, and develop an extensive and multipurpose transport network that combines railway, highway, air, and pipeline transport.

3. We must develop our power industry vigorously, develop hydropower and thermal power simultaneously, build power stations faster, speed up development of our coal industry conscientiously, and change the situation of our coal industry lagging behind our power development. We will build a multipurpose oil base at Karamay in northern Xinjiang, petrochemical bases at Urumqi and Dushanzi, and a crude production base in eastern Xinjiang before the end of the 20th century. At the same time, we will expand and gradually enlarge our existing crude extraction, refining, and petrochemical bases in the northern and central zones of the Tarim Basin in southern Xinjiang.

4. We must devote major efforts to developing our raw materials industries, take active steps to expand our nonferrous metals industry, do a good job of running our existing iron and steel, cement, and glass industries, and further expand our new building materials industry where possible. In order to adapt to these industrial development needs, we must vigorously improve our geological prospecting and speed up our verification of resources, in particular our prospecting for and evaluation of mineral resources, such as oil, coal, and nonferrous metals. We must pay attention to exploiting our intellectual resources and vigorously training construction workers, in particular all categories of talented minority nationality workers. We must pay particular attention to energetically expanding the Xinjiang Production and Construction Corps, bringing its key role in building and developing Xinjiang into full play.

I believe that, guided by the party's line, policies, principles, and policy towards nationalities since the Third Plenary Session of the 11th CPC Central Committee, with the moral encouragement of the Fourth Plenary Session of the 13th CPC Central Committee, with the vigorous support of the party, the state, and fraternal provinces, municipalities, and autonomous regions, through the hard efforts of all nationalities throughout Xinjiang, and based on doing a good job of the above-mentioned tasks, we will certainly be able to achieve brilliant successes in developing Xinjiang.

As Xinjiang's development prospects are so magnificent, our tasks will be to successfully develop Xinjiang, conscientiously and pragmatically study Xinjiang's development issues, and correctly draw up strategic policies, principles, and struggle objectives for the development of Xinjiang, and ways and means to achieve them. These are key tasks which will be of major significance in the development of Xinjiang.

Studying Xinjiang's development strategy was an enormous job of systems engineering, which involved not only describing and studying its economic development

circumstances, strategic ideology, patterns, and objectives, industrial structure, and overall economic arrangement, generally mastering its overall economic development trends, and pointing out its economic development paths and gaps, but also drawing up realistic policies and measures. "A Study of Xinjiang Economic Development Strategy for the Year 2000" emphasizes an analysis and study of key issues in Xinjiang's development from a macroeconomic and high-level point of view and, based on having fully assimilated the results of past studies on development strategy, realistically analyzes the overall international and domestic circumstances and basic regional characteristics which affect Xinjiang's economic development, chooses "strategic patterns for transformation of resource advantages" and economic development strategy objectives, and proposes directions for industrial restructuring and tentative ideas on improving the overall economic arrangement. Its stand conforms to national economic development needs, while considering Xinjiang's peculiarities, and its options for major strategic remedies are quite operable. I endorse and am very happy about its stand. This book raises studies on Xinjiang's economic development strategy to a new level. Even more noteworthy is that its first draft was validated by systems engineering experts and professors from Shanghai Jiaotong University. This shows that it is not only macroeconomic and functional, but also systematic, scientific, and a pioneering economic research treatise on today's Xinjiang.

I hope that, guided by the party's basic line on the initial stage of socialism, scholars, theoreticians, and concerned departments throughout Xinjiang will uphold the principle of "one center, two basic points," persist in opposing bourgeois liberalization, and conduct studies of Xinjiang's development strategy that are in line with Xinjiang's realities and even more in depth. I also hope that the authors of this book will conduct more indepth studies, in order to further expand certain of their views. I believe that the publication of this book will certainly help concerned departments in Xinjiang and throughout the PRC to study Xinjiang, contribute to macroeconomic policymaking by party and government departments at all levels throughout the Xinjiang Autonomous Region and, thus expedite Xinjiang's economic development.

#### **Development Plan Drawn Up for Xinjiang**

*HK0810032490 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 8 Oct 90 p 2*

[Text] Xinjiang Uygur Autonomous Region will become one of the country's chemical production bases during the Eighth Five-Year-Plan (1991-95).

The national newspaper MATERIALS NEWS recently said that the Ministry of Chemical Industry was drawing up a development strategy for the next five years and had decided to give the region's chemical industry a push.

It is the first time the government has planned to establish a chemical production base in the country's

remote northeast, which has proven to be a potential source of natural gas and petroleum.

The chemical industry, which directly effects the textile, fertilizer, plastic and synthetic rubber industries, would help the region catch up with the economic development of the coastal areas, which had surged ahead in the past decade, the paper said.

The government planned to invest in the development of several leading chemical enterprises in the region, involving petroleum, natural gas and inorganic salt production.

Equipment at existing chemical plants would be updated, according to the paper.

The region would also organize experts and technicians to intensify exploration for local chemical and mineral resources to boost the local mining industry.

Rational distribution of the chemical industry would speed up the development of the region's economic reform, an economist said.

The paper quoted the economist as saying that a petrochemical industry would be established in Xinjiang's west with the help of the local Dushanzi Refinery.

In the south, it would focus on production of natural gas and oil, as the Tarim natural gas field was located there.

All of the projects were expected to be completed by the end of this century, the paper added.

### **Industrial Production Increases in Henan**

91P30004A Zhengzhou HENAN RIBAO in Chinese  
9 Sep 90 p 1

[Summary] Henan's industrial production rebounded in August, according to provincial statistical bureau estimates. Gross value of industrial output (GVIO) at and above the township level throughout the province was 6.056 billion yuan, a 1.2 percent increase compared with the same month last year. Henan's cumulative GVIO from January to August was 47.097 billion yuan, up four percent from July and 1.1 percent compared with the same period last year.

Henan's industrial production in August had the following characteristics: 1) Output in heavy industry grew faster than light industry. Compared with August 1989, heavy industry increased 5.3 percent while light industry grew 2.8 percent. 2) Collectively owned enterprises continued their rapid growth while enterprises owned by the whole people clearly rebounded. In August, the former increased production by 8.9 percent and the latter by 2.2 percent. 3) Basic raw materials, some energy products, and agriculture-supporting products continued to maintain a good pace of production. Production of durable consumer goods and some light textile industrial products fell. Steel output increased 3.3 percent, electric energy 12.6 percent, and chemical fertilizer 14 percent,

but bicycles decreased 22 percent, yarn 14.2 percent, and cloth 18.2 percent. Overall, Henan's August industrial production situation is considered favorable.

### **Jiangsu Governor Condemns Local Trade Protectionism**

40060003F Nanjing XINHUA RIBAO in Chinese  
14 Sep 90 p 1

[Summary] A recent investigation in Jiangsu Province revealed that local market blockades are growing more intense. Some localities forcibly prevent outside goods from coming in; some impose heavy fines on nonlocal goods; some subject outside products to successive layers of inspection, and some even cut off access to highways and waterways. Governor Chen Huanyou says the emergence of this situation is related to the current fiscal contract system, price distortions, unfair competition, blind development of processing industries, duplicated construction projects and the market slump. But the root of the problem is the closed mentality of a small peasant economy, which does not meet the needs of modern large-scale production and development of commodity economy. Processing industries in Jiangsu are well-developed; in the end, these blockade measures will only harm Jiangsu.

### **State Approves Zhejiang Thermal Power Plant**

OW1210111690 Hangzhou Zhejiang Provincial Service  
in Mandarin 1000 GMT 10 Oct 90

[Report by Weng Peirong and correspondent Zhang Hongyan]

[Text] The State Planning Commission has recently approved a thermal power plant in Jiaxing, Zhejiang. Construction will begin next year. The first generating unit is expected to be installed and put into operation in 1993.

The Jiaxing Power Plant is a key construction project for Zhejiang during the Eighth Five-Year Plan. After completion, the power plant will partially ease power shortage in Zhejiang and other regions in the Central China.

The Jiaxing power plant, which has been approved for a total of 1.15 billion yuan investment, will have a total planned capacity of 2.4 million kilowatts. In the first stage of construction, two domestically made 300,000 kilowatt coal-fired units will be installed. It is estimated that the two units will be completed and put into operation in 1994 and generate 3.6 billion kilowatt hours of electricity annually. According to a briefing, the site of the power plant has been decided in Pinghu County between Zhapu Port and Qinshan Nuclear Power Plant where the coastline is plain and stable, water transportation is convenient, and a spacious lot is available for construction of the power plant. Zhapu is also the center



of the (Hangjiahu) area and Central China Power networks. Conditions are favorable for the construction of the power plant.

## FINANCE, BANKING

### Article Views Financial Situation in Shenzhen

90CE0347A Beijing ZHONGGUO JINRONG [CHINA FINANCE] in Chinese No 6, 4 Jun 90 pp 22-24

[Article by Zhang Hongyi (1728 7703 5030): "A Primary Industry in the Special Economic Zone—Shenzhen's Banking Industry"]

[Text] Since the establishment of the Special Economic Zone (SEZ) in Shenzhen, the municipal government has attached great importance to enabling banks to play a role in spurring reform, opening up, and economic development. After ten years of effort, banking has become one of the main industries in Shenzhen. Under the new conditions in China—improvement and rectification as well as reform and opening up—it is extremely important that we handle the banking industry properly if we are to further develop the municipality's outwardly oriented economy and maintain social stability.

**We have basically achieved our goal of "maintaining an active economy in the midst of retrenchment."**

The main reason why the Shenzhen was able to develop in the midst of retrenchment in 1989 is that the outwardly oriented economy had laid down a strong foundation. At the same time, timely and well-executed regulation and control of banking also played an important role.

In the midst of such unfavorable conditions as a tight money supply and falling deposits, the various banks supported this city's rational demand for funds needed for economic development by aggressively raising funds and readjusting credit structure. Difficult conditions have existed since October 1988. Enterprise deposits in the city have dropped steadily from month to month, and fund sources have been drying up continually. Faced with these conditions, the banks have sought deposits and worked to secure funds from a variety of sources at the same time that they have aggressively readjusted credit structure by cutting back on loans to most borrowers and concentrating loans on key borrowers. They have used limited funds and steered credit toward basic industry, outwardly oriented enterprises, transportation and energy projects, and industries which produce commodities urgently needed by the market.

The financial regulation and control exercised by the People's Bank of Shenzhen has been relatively timely and effective. Faced with a shortage of funds and multiple conflicts, the city's central bank has handled affairs quickly, acted in a timely manner, and injected funds into circulation as early as possible. At a time when funds were shrinking all across the country, the People's

Bank of Shenzhen acted in accordance with economic and financial conditions in Shenzhen by releasing funds to the market six times beginning in April 1989, and it had specialized banks issue loans three times for key projects. By so doing, it assured the normal functioning of the specialized banks, alleviated the funds shortages experienced by specialized banks as a result of shrinking deposits, created a strong local financial situation, and supported economic development in a relatively clear way.

We have vigorously taken in hand the rectification of financial order, and strengthened management of financial markets in Shenzhen. While coordinating with efforts to rectify corporations and markets in this city, we have set about the rectification of banking. The program formulated by the People's Bank of Shenzhen for rectifying financial order in Shenzhen has neither caused a major shock nor led to chaos between creditors and debtors. It is relatively appropriate for actual conditions in this city. In order to maintain stable development of banking in Shenzhen while it is being readjusted, the People's Bank has paid special attention to the macroeconomic management of banking. It has formulated a funds-ratio management method and a method for managing loans denominated in renminbi and foreign currency and, via the municipal government, it has approved regulations on the replenishment of funds under the discretionary control of enterprises. The various specialized banks and financial institutions have earnestly summed up the last few years of experience. They have devoted serious attention to strengthening internal management and bolstering management and oversight of the various grassroots banks.

Ideological and political work has been somewhat strengthened, as has the construction of the system. During the turmoil on 4 June 1989, cadres, workers, and staff in Shenzhen's financial sector remained united with the central party leadership. They took a firm position and remained at their posts. At the same time, they aggressively stabilized work involving foreign-invested banks, did a good job of allocating funds, and ensured the ability of clients to make withdrawals, thereby maintaining the reputation of the nation's banks and preserving the stability of the SEZ.

### The Current Financial Situation

As the entire country continues to carry out the program of double retrenchment for fiscal expenditures and credit, the economic and financial situation facing Shenzhen does not justify optimism. Some old problems and difficulties have not yet been resolved, and new problems and difficulties could still arise.

1. The ability to supply funds is limited. In particular, the fact that deposits increased little and loans increased a lot in 1989 has seriously affected credit equilibrium in 1990. It is deposits which determine the ability of banks to release funds. Apart from passbook savings deposits, which may continue to rise in 1990, it is unlikely that

enterprise deposits will rise, because they will be affected by slumping markets and falling economic returns. It is also unlikely that financial deposits will rise month after month as in 1989 since the quotas of funds to be turned over have risen. Subject to the limitations of fund sources, specialized banks are restricted in their ability to make loans. The ability of the People's Bank to regulate funds has also declined since last year.

2. There is a great shortage of funds. One aspect of this problem is that if we are to ensure that economic growth in 1990 continues at a faster rate in Shenzhen than in the rest of the country, banks will have to release a correspondingly greater amount of funds. Enterprises in Shenzhen have discretionary control over very few funds; most are operating in debt. If they are to grow at a faster rate than enterprises in the rest of the country, a great input of funds is prerequisite, and pressure on the banks is thus somewhat increased. Another aspect of this problem is that the next two or three years will be critical to the Shenzhen SEZ's efforts to improve its investment climate and lay the foundation for the accomplishment of its second ten-year plan for economic development. Greater inputs of medium- and long-term funds will be required. Even if we intend to borrow as much as possible from international markets our banks will still have to secure matching funds. In addition, the weakening ability of the government to direct fiscal expenditures toward construction will also increase demand for credit.

3. The difficulties faced by enterprises in carrying out production and business operations cannot be ignored. The negative effects of slumping markets and the effects of some policy readjustments have caused enterprise production and business conditions to change precipitously. For some enterprises, rising costs and unsold inventories have resulted in diminished ability to pay bills, increased debts, and lowered economic returns. At the same time, lowered economic returns for enterprises has increased the amount of bank funds that remain in the enterprises, added to the amount of bad loans, and slowed down the circulation of funds. Mutual debt among enterprises and unsold inventories have tied up a lot of funds. Fund inputs by banks will be required if reproduction is to be maintained, which undeniably increases the pressure felt by banks. Thus, we are now faced with a series of challenges. How are banks to help enterprises survive amidst change? How are enterprises to improve sales and shift to production of different goods? How are we to inject life into enterprises and free up the bank funds which remain there?

Of course, these difficulties are difficulties in the path of progress. There are several favorable conditions which will help overcome them. One is that the national work conference on SEZ's affirmed the achievements and role of the SEZ's, reiterated the basic policies of the Central Committee and the State Council toward the SEZ's, and identified the direction of future SEZ development as well as the tasks involved. A second favorable condition is that the outwardly oriented component of Shenzhen's

economy is relatively large. In comparison with inland provinces, information is readily accessible, clients are more numerous, and transportation is convenient. With respect to markets, we are not very dependent upon domestic markets, so the effect of the market slump has been less noticeable than in the inland provinces. With respect to banking, the renminbi and foreign currencies here are mutually convertible, the level of foreign exchange deposits is high, and foreign banks are numerous. A third favorable condition is that after ten years of accumulation, a significant pool of credit funds has been built up in this city. Thus, we can seek funds with relative success by accelerating the circulation of funds, readjusting credit structure, and by bringing unused potential into play. A fourth favorable condition is that banking reform began rather early in this SEZ and has proceeded in a stable manner. After ten years of hard work, the system of macroeconomic regulation and control of banking has been established, the market mechanism for funds has gradually formed, and awareness of banking in society at large has been somewhat strengthened. Apart from banks that belong to the state, there are several regional banks capitalized through stock issues and local financial institutions. This has provided banking here with relatively great flexibility with respect to policies and funds. It has laid a good foundation for overcoming funds difficulties. A fifth favorable condition is that the international economy will continue to grow slowly this year, and foreign firms will continue to invest in the SEZ's. Products from the SEZ's have competed somewhat more strongly on the international market.

#### A Few Problems Requiring Resolution

1. There are several things we must do to correctly handle the conflict between the demand for economic development and the strained supply of funds. One thing is to use every means possible to expand fund sources. Banks must take personal savings firmly in hand, stabilize enterprise deposits, and do a good job of managing financial deposits. Banks must also: take advantage of their broad connections; assist enterprises in clearing out unsold inventories, paying off overdue debts, and doing their import and interior liaison work; and secure construction funds from all possible quarters for the SEZ. A second thing is that economic development in Shenzhen should be pushed a little faster, but this development must be targeted. This requires that banks vigorously target funds for certain key industries in accordance with the industrial policy already announced by the SEZ. They must give support where it is due and withhold it where it is not. Banks must clearly delineate the boundaries outside of which they will not extend credit. Their policies must be transparent and they must give painstaking attention to detail. A third thing we must do is aggressively support scientific and technological progress. In the future, Shenzhen must work hard to import and develop high-tech items and enable the city to move up to a higher stage. The People's Bank has announced its intention to arrange 30 million renminbi

every year for three years beginning in 1990 in order to support the development of key science and technology projects. Banks, science and technology departments, and enterprises must collaborate to a good job in this area. A fourth thing we must do is aggressively support development of the outwardly oriented economy. Exports should have priority when funds are allocated. Interest rates must reflect policy, and settlement of foreign exchange transactions must be accelerated. At the same time, we must support the development of foreign-invested enterprises. Fifth, it is hoped that banks will take advantage of the multiple channels at their disposal as well as their excellent access to information, using it to provide information and suggestions and to assist enterprises in overcoming difficulties, and to actively serve as consultants to the government.

2. We must do a good job handling foreign exchange and support development of the outwardly oriented economy. As the outwardly oriented economy develops, the foreign exchange retentions of this city's enterprises will increase, and foreign exchange will come to constitute a greater percentage of the money supply. Our ability (or lack thereof) to stimulate the flow of foreign exchange in Shenzhen will have an impact upon the economic returns of the outwardly oriented economy, and it will have an impact upon the economic returns for the government and the banks. More importantly, it will affect the degree and pace of development of the outwardly oriented economy. For this reason, we must study measures for raising, utilizing, and exercising more regulation and control of foreign exchange. First, the People's Bank must vigorously exercise regulation and control of foreign exchange just as it does with renminbi. We currently have few methods and work in a passive manner. This situation must be changed as quickly as possible in order to fully exploit the advantageous fact that foreign exchange and renminbi are mutually interchangeable in this SEZ, and in order to provide greater service to the outwardly oriented economy in this SEZ. Second, we must utilize foreign debt to greater benefit. Banks must serve as consultants to enterprises in every stage of their efforts to secure, utilize, and repay foreign loans. In particular, they must work hard to see that foreign loans are used well in order to accelerate the efforts of enterprises to upgrade technology and products, and to improve the ability of enterprises to earn foreign exchange and repay debts. At this time we must also vigorously set about clearing up foreign debt, and we should act in a timely manner to resolve any problems in this area. Third, we must accelerate steps to open up the foreign exchange regulatory market and subject it to regulations, and we must make the foreign exchange regulatory market more transparent. Fourth, we must actively seek to reduce foreign exchange risks. Because of the increasingly intimate economic and financial links between the SEZ and the international market, and because the international financial situation fluctuates a lot, enterprises and banks in the SEZ will suffer great losses if a risk reduction mechanism is not set up. In order to deal with this problem, the Foreign Exchange

Management Bureau and banks must advise enterprises in their foreign exchange borrowing activities. They must also help enterprises whose foreign debt has grown as a result of exchange rate fluctuations to study the possibility of debt restructuring in order to reduce losses. At the same time, we must study ways to establish a risk reduction mechanism.

3. We must perfect and deepen the reforms and further invigorate financial markets. Financial markets are an important part of the SEZ market system. After several years of hard work, this city's financial markets have grown to considerable size and the volume of the markets has gradually increased. So far, the securities and stock markets have remained relatively active and transactions on the foreign exchange regulatory market have continued to increase. Insurance markets have incorporated the competition mechanism and product variety has increased. The market for gold jewelry has grown steadily. Funds for the loan market have shrunk due to the clampdown on the money supply, but communication of market information continues and call loans are still being made. Given the current funds shortage for banks, perfecting and deepening reform and further expanding and developing Shenzhen's financial markets are important steps to be taken if we are to overcome difficulties and seek development.

First, a vigorous short-term call market is required. At the same time, regional banks, banks capitalized through stock issues, and local financial institutions must exploit the advantages offered by diversified and flexible fund-raising methods.

Second, we must develop and perfect securities markets. By developing securities markets, we can 1) spur enterprises to raise funds directly, which would alleviate the strained supply of credit funds, and 2) induce some consumption funds to be converted into construction funds. We can also spur the pace of reform and strengthen societal oversight of enterprises. The banking system must coordinate with the efforts of relevant government organs to spur development of an enterprise shareholding system, and enterprises which meet the requirements should be chosen to enter the bond and stock markets. We must work hard to establish a securities exchange floor in Shenzhen. We must accelerate efforts to establish regulations and a system to govern business operations in securities markets. We must formulate relevant laws as soon as possible in order to protect the legal rights of investors, strengthen awareness among the public of the risks involved in investing, and strike a blow against illegal business activities.

Third, the introduction of the competition mechanism into the insurance market has spurred development of the insurance industry and satisfied the need in the SEZ economy for diversity. At the same time that we maintain enthusiasm for competition, we must induce competition to develop in a healthy manner. The various insurance organs should work hard to give good service and aggressively expand the scope of business activities. However, this must be done in a rational manner on the basis of equality, and these activities must remain within the bounds of the permissible.

Fourth, while strengthening management, we must develop the gold jewelry market in an aggressive yet stable manner. We must actively coordinate policies and work hard to push our city to establish a jewelry production base and trading center that is primarily outwardly oriented.

4. In the current difficult environment, banks and enterprises must be mutually understanding and supportive. During the ten years of development in this SEZ, Shenzhen's banking departments have deepened reform and adopted various pragmatic measures, thereby playing an important role in spurring the development of enterprises in the SEZ. Many financial institutions are worried about the same thing that has enterprises worried—they have been racking their brains to think of ways to invigorate the production and business activities of enterprises and to raise economic returns. In so doing, they have truly fulfilled the role of a bank. Of course, rapid development of Shenzhen's economy and the improvement of economic returns for enterprises will create the necessary external conditions for reform and development of banking. It is worth noting that some financial institutions in these times of funds shortages do not show any understanding or forgiveness for the plight of enterprises. Some banking policies are not sufficiently in line with actual conditions and have added to the burden shouldered by enterprises. We must cherish and develop the excellent relations that have been built up between banks and enterprises in the last ten years as they have worked hand in hand to build the SEZ. It must be acknowledged that the biggest single source of bank funds is enterprise deposits. It is also enterprises which are the source of bank profits. If enterprises lack vitality, bank funds will dry up. If enterprises achieve no economic returns, banks will certainly not either. Under the current difficult circumstances, it is all the more necessary that banks and enterprises give each other support and understanding so that both can get through these hard times. Comrades in banking departments must stand a little taller, show a little more depth of understanding, and go that extra mile to solve problems. Banks and enterprises need more dialogue and communication. Enterprises must understand banks. Banks must support enterprises.

5. We must build up a corps of SEZ banking cadres that is ideologically correct and skilled in business operation. After ten years of hard work, this city's banking institutions and cadre pool have grown to a considerable size. The key task now is to switch from outward development and quantitative expansion to inward development, qualitative improvement, and sound procedures. Because Shenzhen lies adjacent to Hong Kong and Macao, two different social ideologies and value systems frequently collide. For this reason, the difficulty and the work load associated with ideological and political work is greater, and it is more difficult to instill an ethic of clean government. We must educate cadres in Shenzhen's banking departments to devote all their wisdom and energy to the construction of the SEZ. We must

cultivate a large corps of talented people who have ideals and ethics, observe discipline, and are willing to take strong action. We must utilize various means to cultivate new personnel and absorb advanced management practices from the international banking community. We need to raise the level of management and the use of electronic systems a step higher than in the inland provinces.

## INDUSTRY

### Issues in Structural Adjustment of Industry

90CE0397A Beijing JINGJI YU GUANLI YANJIU  
[RESEARCH ON ECONOMICS AND  
MANAGEMENT] in Chinese No 3, 8 Jun 90 pp 41-43

[Article by Xi Shangjian (1598 1424 0313) and Cai Jian (5591 1696): "Problems and Solutions in Adjusting the Current Industrial Structure"]

[Text] The development of China's economy has long been plagued by the problem of imbalances in the industrial structure. In recent years in particular, the restrictive effect of "bottlenecks" in such basic industries as energy and raw materials has grown increasingly worse. Thus, fundamentally resolving the contradictions in the industrial structure's imbalance is not only a major item in our current economic improvement and rectification campaign, but it is also a prerequisite to assuring the long-term stability and concerted development of China's economy.

### Causes of the Imbalance in the Industrial Structure

The causes of the imbalance in the industrial structure can be found by mainly looking at both the operational mechanisms of the industrial structure and the regulation and control mechanisms themselves. That is, our industrial structure itself lacks self-correcting mechanisms and even self-regulating and self-controlling mechanisms. This manifests itself in the following ways:

1. The pricing system is twisted and distorted. We have long pursued the pricing policy of having "raw material prices low, and product prices high." With product prices reflecting neither the value of the product nor the supply and demand relationships, investment and industrial production development have both naturally tended to go toward the processing industries. In essence, it is this phenomenon that has ensured that such basic industries as energy and raw materials lagged behind the processing industries in their development. With continued high-speed growth in the economy in recent years, comparative price relationships that were originally irrational became even more irrational. The prices and profit margins of upstream products, like those of most processing industries, continued to rise, whereas both price and profit margin levels in "bottleneck" industries, where serious shortages existed, remained either relatively sluggish or changed very little. Guided by these distorted price signals, the various



regions, industries, and enterprises have invested huge amounts of capital in those industries with high profit margins. As a result, the structural contradictions in our economic growth have become increasingly acute.

2. Contracted profits have become scattered. Once local financial contract management began, tax rates on processing industries were quite high while rates on basic industries were quite low. Thus, governments in various places competed with each other to develop processing industries which rapidly turn a profit. The aim was to protect government revenues and show that they could get financial results while still in office. There has been a lack of enthusiasm about promoting basic industries, because they require heavy investment, have a long payoff period, and need substantial financial expenditures on the part of the government. A direct result of this system is that the scale of the processing industry infrastructure has been repressed, but to no avail, and small-scale processing enterprises, although prohibited, have continued to spring up.

3. There are more investment sources. Basic industries require heavy investment and produce results slowly. Processing industries require little investment and produce results quickly. Processing enjoys a large profit rate on capital, and inevitably investors gravitate in this direction. In recent years, we have seen more sources of investment, with "three-part" sourcing emerging. That is, we have planned investment by the central government, local government investments, and investments by enterprises using their own funds. Of these, extra-budgetary investments have grown the fastest, and the overwhelming majority of these investments have gone into either processing industries or non-productive areas.

4. Responsibility and authority for capital has become blurred. The concepts of ownership rights and the right of use of existing capital have become blurred. State-owned capital has, in reality, been carved up for enjoyment by various different departments and regions. As a result, in the area of capital reserves, the rational flow of capital to key production elements has been hindered and we have ended up with a state of relatively frozen capital. Because of this, industries have fallen behind, enterprises teeter on the brink of bankruptcy, outmoded facilities cannot be renovated or phased out, and industries lack mechanisms for bringing forth new ideas and blazing new trails among themselves. The situation has grown critical, with surplus industries running out of control and shortage industries scavenging for supplies, and with key production elements simultaneously suffering from overstocks, shortages, and insufficient or excess reserves. In the area of incremental capital, whether it is investment by enterprises or by governmental departments responsible for examining and approving investment, economic responsibility for investment items has been honored in the abstract but breached in fact. This has created opportunism and indefiniteness in investment responsibility, and has led

localities, departments, and enterprises to ignore their own conditions and production requirements and to blindly invest.

5. There are huge disparities in enterprise management conditions. Many basic industry departments find it difficult to boost the enthusiasm of their producers and managers because of basic industry's inability to cope with external changes, because enterprise profit levels are low, because some are even losing money and have to rely on subsidies to carry on, and because the contracting indices are set irrationally. On the other hand, processing industries generally adopt the pricing policy of expensive inputs, expensive outputs. Although the level of technology and facilities of some small-scale processing enterprises is not very high, they are still able to respond well to the market, and thus their production enjoys high-speed development.

### Contradictions in Adjusting the Industrial Structure

The decisions of the party Central Committee to further improvement and rectification and reform provides a favorable opportunity to rationalize the industrial product structure and enterprise organizational structures. From where we stand today, although there has been initial progress in adjusting the industrial structure, we are still faced with numerous new difficulties and contradictions. An analysis of the specifics reveals the following:

1. There are contradictions between adjustment requirements and our capacity to regulate and control. First of all, during the process of improvement and rectification we must inhibit demand and continue to cut back on the scale of fixed asset investment. With the total scale of investment limited, even if assets are funneled into basic industries, we will still be far from able to satisfy demand. In addition, during the current phase of improvement and rectification, the rate of growth must slow and processing industries must cut back. However, it is in the processing industries that we see fairly high levels of direct economic results, and cutting back on the processing industries will inevitably mean less profit tax revenues. Then where will the funds for investing in the critically stagnant basic industries come from? Also, during the period of improvement and rectification it will be difficult to initiate any major price reform, and there is basically no way to alter the situation where pricing for basic industrial products leads to only negligible profits. Thus, more extra-budgetary investments from local governments and enterprises and more bank loans will gravitate to the places where profits can be made. Currently there are no bright ideas for luring these investments into basic industries. To a certain extent, all of these things present an obstacle to adjusting the industrial product structure.

2. There is a contradiction between the idea of survival of the fittest and objective reality. One important measure for adjusting the industrial structure is to support the superior while limiting the inferior. This is easier

said than done. First of all, enterprises, industries, and regions with weak benefits do not have any "profits" to cut back on. But, enterprises, industries, and regions with good benefits have a lot of maneuvering room and high "profits," so it is fairly easy to cut them back and achieve results. Also, under our current system, because of reasons such as ensuring social stability, we have to guarantee that both the "chickens that lay eggs" and the many "chickens that do not lay eggs" continue to receive sustenance. Otherwise, if some of the enterprises that should undergo adjustment close up, who will repay their loans? What will their workers do? Thus, the policy intent of all levels of government is quite clear: "reduce closures and stoppages, increase mergers and transformations." As a result, there is no way to protect those that should be protected or reduce those that should be reduced. It is this situation, where the strong do not win and the weak do not lose, that affects and restricts our ability to adjust the industrial structure.

3. There is a contradiction between structural priorities and financial stability. As it stands, the method where each unit of government depends on its own revenues and is responsible for its own work not only strengthens the regional advantage of various local governments, but it also solidifies them as well. Because of considerations of regional comparative advantage, when governments at various levels think about new increases in investment within their own districts, they will often devote their limited financial and material capabilities to projects where "results are quick and benefits are substantial." Moreover, in many areas it is now common to "feed on public finance," and the top priority is to see that this "food" comes in. Only later will they consider structural adjustments. Without a doubt, this will greatly reduce the effectiveness of our macroeconomic structural policy and make it difficult to realize structural adjustments.

4. There are contradictions between government and enterprise behavior. The government looks at a problem from the regional standpoint; it must protect products that conform to the nation's industrial policy and bring fairly good social results, even though these products bring little benefit or perhaps even losses to enterprises. Enterprises, on the other hand, seek benefits, and are unwilling to produce goods that benefit society but bring little benefit to the enterprise. For example, because certain agriculture-assistance products have low prices but are costly to produce, and enterprises have no way to the cost of these products, they seek ways to shift or reduce production. Yet the government demands that production be increased, and although certain subsidies are paid, this does not solve the very great problems of enterprises. Also, the government carries out preferential policies as it adjusts the industrial structure. In turn, enterprises view this as destroying the conditions for equal competition, and thus a psychological confrontation with government takes form. Because the government and enterprises have different starting points and goals, the government's guiding effect in adjusting the industrial structure is imperceptibly weakened and adjustments are harder to achieve.

### Countermeasures for Adjusting the Industrial Structure

Because the contradictions in adjusting the industrial structure leave us with two difficult options, we are forced to admit that the adjustment cannot be achieved in one step and that it will be quite difficult to fundamentally resolve the imbalance within the next few years. Thus, we should mentally prepare for the long term. In view of the difficulties we face in adjusting the industrial structure, it is my belief that we should currently adopt the following solutions:

1. Continue carrying out preferential policies for basic industry. We must adhere to the principle of "giving top priority to basic industry, assisting burgeoning industries, and developing export industries." At the same time that we continue controlling the scope of capital construction investment and tightening finances, we must loosen up capital investment in key industries, products, and enterprises. Also, we must ensure that they receive top priority for supplies of energy and raw materials, and we must see to it that those enterprises that should receive assistance have the ability to develop new products and adjust their product structure in the normal cycle of production. Moreover, at the same time that we continue perfecting the preferential policies for materials and funds, we must also skillfully handle our priorities with respect to public finance, tax revenues, and various management issues. We must focus our efforts on perfecting the mechanisms of economic movement and creating a healthy external business environment for developing basic industry.

2. We must perfect and adjust the production structure and the composition of processing industries. Development which centers on key industries, superior products, and "winning products" should foster, organize, and build large-scale enterprise groups, with backbone enterprises as the key. This should be done by using such methods as mergers, share participation, conglomeration, and incorporation. Bring the production management of the numerous small-scale enterprises currently operating in key industries into the production management systems of large-scale enterprise groups. Encourage large and medium-size enterprises to develop diversified production management and thereby bring about a rational organizational structure within each enterprise. At the same time, use necessary administrative methods to control blind development in processing industries. Also, we must adhere to a deadline for transforming, shifting, or shutting down enterprises that are growing blindly, engaging in repetitive construction, wasting huge amounts of materials and energy, or have low levels of technology, are seriously overstocked, or are heavy polluters.

3. Adjust the direction of the investment structure. We must strictly stipulate how all levels of government use their financial powers to help direct investment flow. Investments receiving public financial support should be concentrated in basic industries, and not permitted to be invested in processing industries or in projects where the

primary goal is profit. We should adopt methods which combine administrative and economic means and strengthen the management and guidance of extra-budgetary investments. We must strictly assess and approve investments in capital construction projects, so that the number of new projects either does not increase or increases very little. We must strictly control construction of non-production projects. We must push extra-budgetary funds and local financial resources into basic industries that need key development.

4. Reform existing financial contract methods. Switch from contracts which use absolute amounts to contracts which combines absolute and relative amounts. Gradually move towards where central and local financial revenues increase only to the extent that the economy develops and the national income grows. This will give higher levels of government more financial resources with which to support structural adjustments.

5. Formulate authoritative industrial policies and concrete industrial programs. First of all, we must clarify what to develop, what to support, what to limited, and what to eliminate. At the same time that we determine the nature and direction of development, we must also determine its amount and degree. This must be done nation-wide, and we cannot forget to address regional industrial policies and programs level by level. China is a big country and development is uneven, so simply drawing one line will not suffice. We must rely on principle and real practice. Measures must be worked out that suit specific times, places, industries, and enterprises. In addition, we must establish standard economies of scale for each industry and enterprise bottom economic-scale, and quality standards for products and technologies. Every new project and newly-opened enterprise must first meet the standards for economies of scale for enterprises in that industry and with quality standards applicable to their products and technologies. If they do not meet the requirements, they will, without exception, be forbidden to operate or register.

6. Throw open the doors of employment, and build and perfect a social security system. First, work hard to develop "solid, ecological agriculture." Build a system which provides good service before, during, and after production. Raise the ability of agriculture to assimilate a rural labor force. Second, while strictly managing the individual and private economies, continue to develop numerous economic forms, and throw open the doors of employment. Third, utilize the government's organizing and coordinating abilities. Train those awaiting employment and those who have lost their jobs, and organize labor exports in a planned fashion. Fourth, throw open the labor market, and promote the rational movement and competition among the labor force and qualified personnel. Fifth, establish a multi-layered and diversified social security system. Get the state, groups, individuals, and social organizations to work together to support an obligatory system of insurance for those awaiting employment and for retirees. Strengthen the

ability of society and individuals to deal with adjustments in enterprise organizational structures and with the few enterprises that shut down or go bankrupt. And finally, reduce the "pendulum" effects influencing structural adjustments.

### **GVIO Growth, Industrial Situation Remain 'Grim'**

91P30013A Beijing JINGJI RIBAO in Chinese  
9 Sep 90 p 1

[Summary] The State Statistical Bureau announced recently that because of two basic current contradictions, namely, insufficient aggregate demand and slow readjustment of the industrial structure, China's industrial output situation is still "rather grim" [jiao yan jun 6525 0917 1498]. The gross value of industrial output [GVIO] in August was 156.2 billion yuan. Calculated on the basis of comparable prices, this is an increase of 4.6 percent over the same period last year and 1.9 percent over July. Cumulative GVIO for enterprises at and above the township level from January to August increased 2.6 percent compared to a year ago.

For the first seven months, the total volume of commodity retail sales declined by 1.5 percent over the same period last year; it is not expected to improve noticeably in August. Funds for key capital construction projects and technical transformation rose by 5.4 percent over the same period last year, with July's increase at 16.6 percent. But the July sales volume from the materials industry fell 9.1 percent compared with July 1989. From January to July, income from budgeted industrial sales was down 0.3 percent over the same period last year. Furthermore, inventories of industrial products increased by 3.07 billion yuan in July, bringing the total volume of finished products in inventory to 109.7 billion yuan, an increase of 45.9 percent over the same period last year and 30.3 percent since the beginning of this year.

Because of production cutbacks, the economic results of industrial enterprises are still poor. Between January and July, total profits from budgeted industrial production declined 56 percent over the same period last year, while enterprise losses increased 99.2 percent.

### **Heilongjiang Industrial Production Drops in August**

91P30002A Harbin HEILONGJIANG RIBAO  
in Chinese 8 Sep 90 p 1

[Summary] According to provincial Statistical Bureau estimates, Heilongjiang industrial production is proceeding slowly. The provincial gross value of industrial output (GVIO) in August was 3.783 billion yuan, a decline of one percent from July and 0.8 percent compared with August 1989. Of the one-percent decline, output of enterprises owned by the whole people fell 0.9 percent and collective enterprises 0.1 percent.

Heilongjiang's cumulative GVIO for the first eight months of 1990 declined 2.2 percent compared with the same period in 1989.

Textile production in the province has fallen off because of a soft market and insufficient raw materials. Cotton spinning has either been stopped or cut back, and the problem is getting worse. Output of yarn and cloth declined 17.7 percent and 22 percent, respectively, compared with August 1989. Of this, output of pure cotton cloth was down 45.1 percent and pure chemical fiber 6.2 percent. Output of timber, cement, plate glass, and some machinery products also continued to fall.

Enterprises owned by the whole people are still suffering hardships. In August industrial output in Harbin, Qiqihar, Mudanjiang, Shuangyashan, Yichun, Songhuaajiang, Suihua, and Heihe declined by as much as nine percent. Output of the 136 key enterprises in the province receiving preferential treatment also declined.

#### Shanghai GVIO Up 4.4 Percent in August

91P30003A Shanghai JIEFANG RIBAO in Chinese  
5 Sep 90 p 1

[Summary] Shanghai's industrial production rebounded once again in August. According to the Shanghai Statistical Bureau, the gross value of industrial output (GVIO) in August was 9.796 billion yuan, 4.4 percent higher than July and 2.7 percent higher than August 1989. Daily production reached 316 million yuan.

Shanghai's cumulative GVIO from January to August was 75.086 billion yuan, an increase of 0.6 percent compared with the same period last year. This is broken down as follows: Output value of light industry was 41.091 billion yuan, down 0.2 percent; heavy industry 33.995 billion yuan, up 1.6 percent; enterprises owned by the whole people 48.416 billion yuan, down two percent; collectively-owned enterprises 15.989 billion yuan, down 7.7 percent; and other industries 10.681 billion yuan, up 35.2 percent, including a 66.3-percent increase in the three types of "foreign-funded" enterprises.

#### Shanghai To Increase Technical Innovation Efforts

OW2909125490 Beijing XINHUA in English  
0706 GMT 29 Sep 90

[Text] Shanghai, Sep 29 (XINHUA)—Shanghai, China's largest industrial city, will step up its technical innovation efforts to boost industrial production, a local economic official said today.

At least half of Shanghai's industrial growth in the Eighth Five-Year Plan period (1991-1995) will be achieved from technical innovation, he said.

The official said that in the past decade Shanghai has invested 24.9 billion yuan (about five billion U.S. dollars) in technical innovation, which has resulted in a great improvement in the quality of products.

According to a survey of 725 technical innovation projects started since 1986, an average investment of one yuan in technical upgrading can increase product output value and profits by 1.93 yuan and 0.43 yuan, respectively.

Key technical innovation projects during the next five years will be those that can expand exports, improve the quality of products and reduce the consumption of energy and raw materials, said the official.

The state will invest 300 million yuan in technical innovation projects in the Pudong area, a newly set up economic development zone in Shanghai, over the next few years, he added.

#### Xinjiang Meeting Discusses Production Management

OW1410104790 Urumqi Xinjiang Television Network  
in Mandarin 1400 GMT 10 Oct 90

[Announcer-read video report by station reporter (Yuan Yajun); from the "Xinjiang News" program]

[Text] The autonomous regional party committee and the autonomous regional people's government held a telephone conference on production management in the afternoon of 9 October. Zhang Sixue, deputy secretary of the autonomous regional party committee, spoke at the meeting. [Video opens with a closeup of Deputy Secretary Zhang Sixue speaking at the conference, and then alternates between shots of Zhang Sixue and conference attendees who are seen listening or taking notes.]

The autonomous region and relevant departments have taken effective measures in a timely fashion to attend to the management of industrial production since the inception of the fourth quarter, thereby bringing about a rebound in industrial production throughout the region. Industrial production throughout the region in September increased by a big margin over that of August and over that of the same period last year. In September, the whole region turned out a gross industrial output value of 1,189 million yuan, which is higher than the record monthly output value ever achieved by the autonomous region. The whole region turned out an accumulative gross industrial output value of 8,373 million yuan from January to September, posting a growth rate of 3.8 percent over the same period last year and exceeding the average growth index of the gross national industrial output value. The output value turned out by the light and heavy industry sectors in September showed an increase of 31.4 percent and 5.4 percent, respectively, over the same period last year. The industrial output value for enterprises under ownership by the whole



people showed rapid growth, while the decrease in industrial output value of enterprises under collective ownership gradually slowed down.

In his analysis of the current industrial production in our region, Zhang Sixue said: Though industrial production showed a tremendous increase in September, development enjoyed by various sectors are quite uneven. It is a definitive necessity for leaders at all levels to take advantage of the good opportunity offered by both the agricultural and animal husbandry sectors which are presently processing their own products to make persistent efforts, go down to the grassroots units, strengthen their leadership, conscientiously make proper arrangement for industrial production in the next 100 days, concentrate efforts on production of readily marketable goods and construction of projects approved to go into operation soon, and, under the prerequisite of striving to increase production, pay close attention to achieving good economic returns, promoting sales, and improving welfare for markets and their sales.

## SMALL-SCALE ENTERPRISES

### Eased Credit Urged for Township, Town Enterprises

91CE0014A Beijing ZHONGGUO JINRONG [CHINA FINANCE] in Chinese No 9, 4 Sep 90 pp 28-29

[Article by Zheng Zhifang (6774 4160 2455): "Need for a Moderate and Steady Credit Investment Policy for Township and Town Enterprises"]

[Excerpts] The Township and Town Enterprise Economy Is an Important Integral Part of the National Economy

[Passage omitted] The gross output value of township and town enterprises currently stands at 58 percent of the gross output value of rural society, and 24 percent of the gross output value of society for the country as a whole. The gross output value of township and town industry stands at 28 percent of the gross output value of industry nationwide, and at 20 percent of total foreign exchange earnings from exports. Output of very many products such as raw coal, bricks, cement, machine-made paper, as well as paper board, textiles, and clothing accounts for one-third, one-half, or even two-thirds or more of gross social output value. The economic development of township and town enterprises has also given impetus to the development of rural finance and banking endeavors. Not only are they "consumers" of credit, but also "providers" of credit.

The rural industrial economy has had a very great effect on large- and medium-sized state-owned industrial enterprises. A township and town industrial output value of more than seven percent for the first five months of 1990 was a major factor in the 1.4 percent increase in the gross industrial output value of the country as a whole. Partnerships between tens of thousands of key township and town enterprises and state-owned large- and

medium-sized industrial enterprises, or the production of complementary products, produced an output value of nearly 100 billion yuan, and gave rise indirectly to a state-owned industry increase in output value of several hundred billion yuan.

### Preliminary Results Seen From Township and Town Enterprises' Improvement of the Economic Environment and Restructuring of the Economic Order

During the past two years, township and town enterprises have actively conducted self-improvement of the economic environment and restructuring of the economic order in accordance with the Central Committee policy of "readjustment, restructuring, consolidation, and improvement," and they have already won preliminary results from their efforts. First, the overly high speed of development of the past two years slowed, meaning that the degree of increase in gross output value fell from 37.3 percent in 1987 to 34.8 percent in 1988, and on down to 15.9 percent in 1989. During the first five months of 1990, it was only 5.2 percent. Second, in accordance with the national industrial policy of following the principle of "rapid readjustments of products, slow readjustments of trades, and minimal readjustment of industries," and "few closures or production halts, and many mergers or retoolings for other kinds of production," they effectively and rationally readjusted their internal economic structure. A number of enterprises that consumed large quantities of energy and raw materials, that seriously polluted the environment, and that had poor conditions for development and showed poor economic returns retooled, closed, or halted production. In 1989, a total of 76,000 township and town enterprises nationwide with an industrial output value of nearly 10 billion yuan were closed, halted production, merged, or retooled. At the same time, a number of key enterprises that were based on locally available resources, consumed little, produced goods that sold well, earned foreign exchange from exports, that produced to complement the products of large- and medium-sized industries, and that showed good economic returns were transformed, consolidated, developed, and improved. At the end of 1989, key township and town enterprises having an annual gross output value of 5 million yuan or more numbered 12,000, 35.5 percent more than in 1988. Third was the improvement of enterprise quality. New advances were made in production techniques; self-development capabilities increased; and production administration and management saw substantial strengthening and improvement.

The Bank of Agriculture and rural credit cooperatives made full use of the role of credit and interest rate levels in the active support of township and town enterprises improvement of their economic environment and restructuring of their economic order. The macroeconomic enforcement of a national policy of credit tightening brought about a lowering of the overall high speed of development of township and town enterprises. For three years running, the degree of increase in township and town enterprise loans was held down. This meant that the annual increase in credit was cut from 56.7



percent in 1986 to 30 percent in 1987, to 18.4 percent in 1988, and on down to 8.5 percent in 1989. This included the greatest cut in Bank of Agriculture credit, which was cut to basically zero in 1989. The cut in the amount of increase in credit produced instant results in holding down the speed of development of township and town enterprises. [passage omitted]

During the past two years, a new situation has come about in credit work of "two changes," and "two supports." The first was a change from emphasis on increasing the amount of credit to emphasis on using the amount of available credit well, supporting existing production enterprises and the level of production projects under construction. The second was a change from the previous emphasis on providing credit funds to emphasis on providing credit services to support enterprises in improving their self-development capabilities, and increasing their own accumulations. Throughout the country from top to bottom, a full check of credit funds, along with taking stock of bad and stagnant loans, was carried out; national township and town enterprise policies served to guide the rational readjustment of the credit structure; enterprises were assisted in distributing profits equitably and building up their own funds; enterprises were spurred along in settling "triangular debts" and various other sums outstanding, in inventorying warehouses to tap potential, and in improving the use of funds, etc. The foregoing activities were outstandingly effective under the new circumstances and new conditions in supporting the healthy development of the township and town enterprise economy.

#### **Moderate Increase in Credit Investment Is an Important Requirement for Proper Development of Township and Town Enterprises**

Credit is one of the important economic factors in the development of township and town enterprises. It takes a long-term, moderate, and steady credit investment policy to enable township and town enterprises to realize sustained, coordinated and stable development. [passage omitted]

Today, when the speed of development of township and town enterprises has declined to a less than ideal low level, a substantial number of enterprises everywhere urgently need the investment of new credit in order for their production to improve. At a time when the township and town enterprise economy has to continue macroeconomically to maintain an important position and role, the scale of Bank of Agriculture loans to township and town enterprises cannot continue to be cut. Too much of a cut will be neither helpful to township and town enterprises in crawling out of their production trough to get on with a reasonable degree of growth, nor will it help foster reserve strength for the development of township and town enterprises. The current situation suggests, first, that readjustment of the increase in the amount of credit is needed, the extent corresponding or being slightly lower than the overall scale of increase in national credit in order to support key points while taking care of ordinary enterprises at

the same time. Township and town enterprise credit during 1990 shows a slight increase in agricultural credit cooperative investment of credit, but there is a very great unevenness in this investment. Most of the money is concentrated in southeastern coastal areas and in the suburbs of large and medium-sized cities, or in rural credit cooperatives in the vast west-central region where except for the issuance of credit for agricultural production, virtually no money was reinvested in township and town enterprises. The west-central region is both a region in which there are a fair number of processing, energy, and mining enterprises and also a region in which township and town enterprises got off to a late start, developed slowly, and have poor self-development capabilities. Since credit cooperatives in these areas do not have much money to issue now, and since the amount of increase in Bank of Agriculture credit is scant, township and town enterprises in these areas face much "gasping" and "stoppages." Unless credit investment is increased, fulfillment of the nationwide plan for 15 percent growth in township and town enterprise will not be fulfilled in 1990. To a certain extent, this may also adversely affect fulfillment of the nationwide industrial plan.

Second, some increase in production equipment loans is needed in response to technical progress, for rational readjustment of the economic structure, and to maintain appropriate reserve strength for development. Externally oriented enterprises in coastal regions have developed fairly quickly, and many of their products can be exported to earn more foreign exchange for the country. However, since neither their equipment nor production capacity can meet requirements of international markets, the expansion of their exports or their export capacity is impaired. Further technical transformation is required. Large numbers of key enterprises that produce for the domestic market also need to make their products more suitable and to help their development in accordance with state industrial policy and market changes. They likewise require support in the form of funds for technical transformation.

In short, maintenance of the important role of township and town enterprises in the national economy, and maintenance of a proper speed of development of township and town enterprises require that moderate increases be made now in the investment of credit in township and town enterprises.

## **COMMERCE**

### **Violations of Shanghai Trademarks Increase**

90CE0494A Shanghai JIEFANG RIBAO in Chinese  
15 Aug 90 p 5

[Article by Zhou Jingtai (0719 2417 3141), Zhang Guofu (1728 0948 1381), and Shen Keqiao (3088 0344 0829): "Counterfeiting of Well-Known Trademarks Becoming Serious"]

[Text] Recently, counterfeiting of trademarks of name-brand products in Shanghai has increased. Counterfeit

Simaituo shirts can be seen in vendors' stalls on Shanghai streets, counterfeit Lion playing cards are sold in groceries, pens with a counterfeit trademark of 101 Eternal Life Gold are impressively displayed on the counters of some stationery stores, counterfeit Earth brand ignition coils fill quite a few auto-parts stores... Because departments concerned do not strictly penalize these trademark violations, the appeals of some manufacturers of name-brand products in Shanghai to resolve the problem have been in vain.

According to Wu Liangmo [0702 5328 6206], director of Shanghai's Hujiang Law Firm, trademarks of name-brand Shanghai products are the most widely counterfeited nationally, which presents a true concern for us. According to reports, quite a few regions have already established fixed sites for producing counterfeit products and regular markets for distributing these products wholesale. For instance, the nationally-known pen market in Wengang Township of Jiangxi Province is a base camp for distributing counterfeit 101 Eternal Life Gold pens. In recent years, several hundred thousand of these counterfeit pens have been sold wholesale. These poor quality pens are only worth three to four yuan each, but after the Eternal Life trademark is attached, their price rises to 29 or 30 yuan, and they are openly sold in the market of Wengang township. According to investigations by the Shanghai Eternal Life Gold Pen factory, these counterfeit products are assembled and produced by a network of individual households in Hefei Municipality and Wengang Township, as well as in Zhejiang Province and other regions.

In the Xincheng District of Ruian City, Zhejiang Province, there are three villages with over 200 households; they are totally engaged in producing Situomai and other name-brand shirts. They produce more than 1,000 shirts daily. A factory in Chaozhou, Guangdong Province, specializes in producing the trademarks for these shirts, while the clothing market in Qiaozhen, HuangyanLu, Zhejiang Province, specializes in distributing and selling the products. Nowadays, for example, not only do individual households sell such counterfeit Situomai shirts, but some stated-owned department stores, such as the Tianlong Department Store in Hangzhou, the Nanchang Department Store, and similar stores in the provinces of Guangxi, Fujian, and Yunnan, also sell these counterfeit goods.

Because of regional protectionism and because departments concerned do not strictly penalize violators, it is difficult for enterprises whose trademarks have been violated to demand and collect compensation, even if they have discovered who is responsible for the counterfeit trademarks. For instance, the Dongan Automobile and Electronics Factory in Wujin County, Changzhou, has manufactured over 110,000 counterfeit Earth brand ignition coils. According to the trademark law, the Shanghai Automobile and Electronics Factory is entitled to a compensation of 280,000 yuan from the offender, yet more than one year after the case had been uncovered it had still not received even a cent.

Because punishment has been weak and crackdowns have not been forceful, bans on counterfeit commodities have not been effective. For example, the Playing Cards Color Printing Plant in Taoyuan Township, Xiaoshan County, Zhejiang Province, has turned out as many as 140,000 counterfeit decks of cards. In accordance with the regulations, the plant should pay the Shanghai Playing Cards Factory 22,000 yuan for its trademark violation. However, based on the ruling of the local court, it only paid 2,000 yuan. Because the penalties are too light, many factories which produce counterfeit products persist and continue producing counterfeit products.

Some of those engaged in trademark violations have even openly attacked those who exposed them. For instance, the Kunting Automobile Parts Factory in Chaiqiao Township, Ningpo City, produced counterfeit Earth brand ignition coils. Upon learning of this, the Shanghai Automobile and Electronics Factory sent its personnel there to investigate. An employee from a local school-run factory merely provided some information to the representative, with the result that he was hit in the head by someone from the counterfeiting factory. The legal advisor of the Shanghai Bicycle Factory went to Lingbi County, Anhui Province, to investigate a case of counterfeit Forever bicycles. He was followed all the way from Lingbi to Xuzhou by two husky men. He escaped trouble only because the two men did not find an opportunity to attack. According to some information, some people responsible for producing counterfeit goods even openly besiege and attack law enforcement officers. For instance, one day peasants from the three villages in Xincheng District, Ruian City, who manufacture counterfeit Situmei shirts, gathered over 1,000 people. They surrounded 11 officers from the Industry and Commerce Bureau and public security who had come to stop production of counterfeit shirts. The group intended to attack these officers; the 11 broke out of the heavy encirclement only with great efforts.

Consequently, manufacturers of name-brand products in Shanghai vehemently demand that departments concerned should work to publicize the trademark law, and law enforcement departments should safeguard the legal rights of well-known trademarks and the interests of consumers. They should strictly penalize enterprises and persons manufacturing counterfeit name-brand products, and directly investigate and affix responsibility for the crime.

#### **'Rampant' Counterfeiting Prompts Call for Protection**

90CE0503A Shanghai JIEFANG RIBAO in Chinese  
30 Jul, 6 Aug, 13 Aug 90

[Four-part article in "Economic Observation" column by reporter He Ziyun (0149 1311 3508). The first installment of this series is not available; the second installment is entitled "Blind Spots in the Law—On the

Counterfeiting Phenomenon, Part II"; the third installment is entitled "Increase Awareness of Trademark Protection—On the Counterfeiting Phenomenon, Part III"; the last installment is entitled, "Businesses Should Take the Initiative To Protect Themselves—On the Counterfeiting Phenomenon, Part IV"]

[30 Jul 90 p 5]

[Text] Counterfeiting is an improper form of competition in the economic domain and must be punished by legal means. Although the "Trademark Law" has been in effect for several years, we have run into some unexpected problems in its enforcement. In the face of specific acts of infringement, hitting the culprits with the law has been as effective as hitting them with a stick of bread.

Deep down, the rampant counterfeiting phenomenon has to do with the current stage of development of the productive forces. The feelings derived from counterfeiting are exactly the products of this particular stage of development of the productive forces. In fact, the phenomenon represents an endless contest between these feelings and the law.

The counterfeiters feel lucky:

China is a vast country with a huge population. Development is uneven among the regions and has created a pattern of many tiers of very disparate productive capacities. Since reform and opening up, enterprises in the relatively backward regions are anxious to catch up with the others, and one of their "shortcuts" is counterfeiting. In production, they steal secret know-how, imitate other people's products, and use someone else's production process without paying for the cost of research and development. In sales, they counterfeit trademarks and use someone else's sales channels (advertisement) without paying for them. In a huge market with more than 1.1 billion people, even if only one percent of the people are fooled, the counterfeiter can still make big money and turn into a very rich man overnight. This is a hard-to-resist temptation. In contrast, units and individuals are never punished harshly even if they are caught counterfeiting. According to the relevant departments, the "Trademark Law" does little to scare the counterfeiters in terms of punishment: It only requires the counterfeiter to pay the damaged party for economic loss plus 20 percent of the gains from the illegal operation, or he may be fined less than twice the profit he has made. So long as he is not bankrupt, the counterfeiter will make a comeback soon enough.

The managing department has a tendency to protect the guilty parties:

Today, most encroachments are trans-regional. More than 80 percent of the trademark infringement cases established in Shanghai are nonlocal products imitating Shanghai-made products. Since the implementation of

the local financial contract system, there has been widespread regional protectionism. Local industrial and commercial management departments in charge of prosecuting the trademark infringement cases are generally lenient toward local enterprises even if they are guilty. They may do one of the following: One, ignore the case and feign compliance or drag on until the claimant loses confidence; two, impose a small fine or simply waive all fines; three, put in a good word for the accused, send the claimant home, and wrap up the case. In recent years, innumerable Shanghai-made products have been targets of counterfeiting, but only a handful of court cases have been won. In the face of regional protectionism, the claimants must "accept defeat." Another problem is that there are no other legal processes to supplement the "Trademark Law." Because the "Trademark Law" has no explicit provision for speedy trial, a court case can drag on for years, and matters are often settled by being left unsettled.

There is a belief that it is only the concern of injured parties.

From the legal point of view, the victims are enterprises whose products have been the target of counterfeiting, but in fact, besides those enterprises, the masses of consumers are also victims. It should be pointed out that when the counterfeiters supply low-grade, poor-quality imitations, they are encroaching on the rights of the consumers to choose. Neglecting this point, the consumers' ability to distinguish and to guard against imitations will be diminished, giving the counterfeiters an opportunity to take advantage of them. Legal protection requires the concerted effort of both enterprises and consumers. But in real life, once a case against the counterfeit products is set for trial, the consumers' role is "finished." The enterprise which has been victimized must face the counterfeiter alone in the courtroom, often losing the case. It was suggested at one time that the Consumer Association, acting as a legal entity, should bring suit against the counterfeiters on behalf of the consumers. The idea was deemed inappropriate under China's conditions and was never put into practice. But it makes good sense to remind the consumers of the need to increase their "sense of participation" in the struggle against counterfeiting. The development of the planned commodity economy calls for a set of reasonable and comprehensive rules on competition. The market economy of the West also started out with breakneck competition. It took several hundred years of reform and development for it to develop a fairly complete set of economic laws and regulations. China is at the initial stage of a commodity economy. The citizens (that is, the consumers) should pay more attention to the formulation of laws and regulations as well as to the details in implementation. Only in this way can we eliminate the "blind spots" in the enforcement of the "Trademark Law" and other laws and regulations to curb counterfeiting.

[6 Aug 90 p 5]

[Text] In reality, some enterprises' own foolishness is also a reason why imitations are flooding the marketplace.

Most countries and regions in the world follow the principle of awarding the trademark to the first person who puts in the application. China is no exception. To protect the reputation one has created with one's own trademark and to guard against imitations, the first and foremost step is to register that trademark. It is not usual for some people to use a trademark without registering it, and watch someone else beat him to registering that trademark later. For example, the name "Fengshou," once a nationally popular brand of tractors manufactured by the Shangahi Tractor Plant, was registered by the Jiangxi Tractor Plant in the 1980's, and so years of hard work simply went down the drain. The trademark "Mickey Mouse Milk Candy" used by Shanghai's Guanshengyuan Food Product Factory was "stolen" by Guangdong's Xiongying Confectionery five years ago. Xiongying turned around and sold the name to the Disney Corporation for \$40,000. The Ballet Brand pearl cream manufactured by the Nanjing Cosmetics Factory has always been very popular in Hong Kong. One of the sales gimmicks is to put a pearl in each box, and if one buys several boxes, one can put together a strand of pearls. The company, however, forgot the most crucial thing—register its trademark. Eventually, the trademark was registered by a Hong Kong businessman, and the company had to spend \$200,000 to buy back its own trademark.

The deep-rooted reason that China's enterprises know so little about trademarks is they have never thought of a trademark as a property right which must be carefully protected. Overseas, trademark is protected as an intellectual property right. The United State's Coca Cola (Deleware) Company has fixed assets worth \$4 billion, and the "Coca Cola" trademark alone is worth \$3 billion. Reportedly, the company once boasted that even if it was burnt to the ground overnight, it could raise enough money from the banks in a day to rebuild everything. Behind the Coca Cola trademark is a global market with a huge demand. It is the same story with Disney Corporation's Mickey Mouse. It is very successfully protected by a trademark and copyright. Clothing, watches, toys, and daily necessities using the Mickey Mouse logo must pay royalty. The Disney Corporation has offices in more than 40 countries and regions worldwide collecting royalty for Mickey.

Let us look at our own situation. There are around 7,000 enterprises with trademark registration rights in Shanghai. So far only a little over 10,000 trademarks are "pending." Except for a few famous brands which, worrying that their fame will invite imitation, have taken the initiative to register their trademarks, most enterprises register theirs only after much propaganda and repeated canvassing by the government management departments. How ironic.

In a modern commodity economy, trademarks are an intellectual property and must be carefully protected. More important, we must make the strategy of increasing the use of trademarks the most important part of our market competition strategy. There are 250,000 registered trademarks in China, as compared to 1.1 million in Japan, which ranks first in the world. Even Taiwan, which has a population of only 16 million people, has more than 300,000 registered trademarks. In addition, ingenious use of trademarks not only can protect one's wealth but can also increase one's wealth. For example, Japan's Hitachi Company has registered only 5,000 trademarks, but the company produces many more products than that. Because the trademarks are put to ingenious uses, they have made the company very rich. In my opinion, only if trademarks are treated as a property right and as an asset will enterprises take the initiative to protect them from counterfeiting and infringement in the production and marketing processes rather than wait to "mend the fold after the sheep is lost."

[13 Aug 90 p 5]

[Text] Punishing the counterfeiters according to law and not indulging them is one way to stop the counterfeiting activities. On the other hand, enterprises should take the initiative and make protecting their trademark a part of their normal operation. They should set up a tight, scientific trademark management system. In other words, they should make counterfeiting more difficult and dangerous by designing special trademarks, registering them, being more creative, making better use of the trademarks, and by actively curbing encroachments.

With regard to trademark design, it is important to make the design more distinctive. There are unusual trademarks and ordinary trademarks. A good trademark must have something that makes it stand out. Today, most Chinese trademark designs depict landscape, flowers and plants, animals, and names of cities. This makes legal protection very difficult. More than 40 products use the name "Shanghai" as trademark. The Number 1 Shanghai Sweater Factory ran into a lot of trouble with its "Shanghai" trademark. Counterfeit "Shanghai" sweaters flooded the market again and again. The authorities had to conduct a city-wide inspection and crackdown. Shanghai's Xinguan Undergarment Factory's "Simaituo" undershirts were at one time sold under the "Shanghai" brand. It too learned the hard way before switching to a different tune.

When creating a trademark, we should do something to increase the cost of counterfeiting. For example, we can make the pattern more complicated or improve the print quality and so on. In addition, we can try a little high-tech. For example, the Hasbro Company puts its logo in strategic spots on its "Transformers," and if the toy is kneaded in certain ways, the logo will become visible. SONGXIA puts its laser hologram logo on the videotapes it puts out, and counterfeits will be immediately exposed under the sun.



When it comes to using the trademarks, we should focus on advertising the logo and the lettering. The law only protects the registered trademark and not the packaging. Most successful infringements and counterfeits take advantage of fancy packagings. Therefore, the trademark must be placed in strategic spots on the packaging to make the product easily recognizable. On television, in the newspapers, on the billboards, and at the trade fairs and exhibits, we must also vigorously advertise the logo. The Coca Cola Company's Sprite and Fanta are good examples of successful advertising.

With respect to sales management, we must keep a record of all trademark information and feedbacks. We need to keep in touch with the long-time customers, agents, and maintenance units in all localities. Detailed record on counterfeiting and sales status should be kept. In 1986, the Shangwu No. 18 Plant sent out more than 200 newsletters to pertinent units nationwide urging them to protect the trademark, "Feiyue," and the effort proved very successful. In setting up joint operations, it is important to control and oversee the sales channels of the partner using one's trademark to keep out counterfeiters. "Fuliji Roast Chicken" swamped the country and imitations were everywhere mainly because the company "over-sold" its trademark and lost control of the sales channels, which eventually ruined its reputation.

To curtail infringement, we must rely on the strength of the law. The commodity economy has gradually taught us to use the law as a weapon to defend our economic interests. When it comes to trademark encroachment, we must not make concessions to appease others. We must hold our ground and fight to win in court.

If the fence is strong, even wild dogs cannot bore through. To curtail counterfeiting, we must rely on the concerted effort of enterprises, consumers, administrative departments, and society as a whole, and only with the law, better management, and the right concept can we put up an indestructible line of defense.

## FOREIGN TRADE, INVESTMENT

### Beijing Seeks Foreign Funds for Industry

HK1010025290 Beijing CHINA DAILY in English  
10 Oct 90 p 2

[By staff reporter Yuan Zhou]

[Text] Beijing yesterday started to woo foreign capital for more than 200 city industrial projects.

The investment invitations come from 14 major municipal corporations involved in machine-building, electronics, automobiles, chemistry, textiles, steel and light industry.

The amount of much-needed foreign funds ranges from \$300,000 for a chewing gum factory, to \$56.3 million for launching a motorcycle plant, to \$88.5 million for making high-strength cement.

Vice-mayor Zhang Jianmin said the city invited foreign investment immediately after the Games to show its sincerity for broader Sino-foreign co-operation.

After listing many favourable municipal conveniences toward foreign investment, Zhang said the "hosting of the 11th Asian Games has greatly improved every service facility as well as the quality of service."

"I hope everybody will boldly set up joint ventures and solely foreign-owned firms in Beijing," Zhang told about 500 overseas business people and embassy officials at the China World Hotel.

"I guarantee we will improve our investment environment and working efficiency and every investor will have his legal interests protected," he said.

Zhang said Beijing has approved 798 foreign-invested firms with a total contractual investment of \$4.2 billion, including \$1.9 billion overseas funds.

Among these foreign-funded firms, 579 are in manufacturing sectors, with a total pledged investment of \$1.1 billion, including \$500 million in foreign investment.

### Investors

The investors are from the United States, Britain, West Germany, Italy, Japan, Singapore, Thailand, Australia, Hong Kong, Macao and Taiwan.

There are 6,000 industrial enterprises in Beijing with a total workforce of 1.8 million. The nationally-known industries are in electronics, automobiles, chemistry, textiles, machine-building, metallurgy and arts and handicrafts.

Zhang said joint ventures in manufacturing sectors have taken an increasingly important role in municipal industry, registering big annual increases in gross product value, profits, tax turn-over, and foreign exchange earnings.

"They've vitalized economic development by promoting production levels and technological advances," Zhang said.

To illustrate the lucrativeness of investment in Beijing, Zhang named the Beijing-Cherokee Jeep Corporation which has decided to expand its production scale using part of its dividends from the past several years.

The city's firms are learning from the Beijing-Matsushita Colour CRT Corporation, whose products have been certified by American UL Safety standards, Zhang said.

Another star performer praised by Zhang at the gathering was the Sino-U.S. joint venture Beijing B&W Boiler Corporation. Since it was started three years ago, the firm has achieved world standards in boiler designing and production capacity, Zhang said.



"The past decade has proved that Beijing is profitable to foreign investors, and that Sino-foreign cooperation is sincere and successful," Zhang said.

### **Guangdong Attracts New Wave of Foreign Investment**

*HK2909021090 Beijing CHINA DAILY in English  
29 Sep 90 p 1*

[By staff reporter Li Zhouyan]

[Text] Billions of dollars in foreign investments are flowing into South China's Guangdong Province, the first to open to the outside world.

This new wave of foreign investments is directed at larger-scale projects, said Wang Pingshan, vice-president of the Chinese People's Political Consultative Conference of Guangdong and the Province's former vice-governor.

These large-scale projects are mainly located in such cities as Huizhou, Zhongshan, Zhuhai, and Guangzhou, according to the province's Industrial and Commercial Administrative Bureau.

In Huizhou, for example, there is the Panda Motor Corporation Factory, which is capable of producing 300,000 vehicles a year with investments from the United States. A \$2.4 billion contract was signed recently for a large foreign-funded petrochemical project.

In April, the International Shoe Industry Conference decided to build a factory in Zhongshan capable of turning out 100 million pairs of high quality sports shoes every year.

And in Zhuhai, one of the country's special economic zones, an area west of the city has been specially designated for such big industries as energy and raw materials. A number of large petrochemical, metallurgical, and ship-building projects in that area have attracted foreign investors.

Foreign investors are also more interested in being the sole source of funding for projects, as opposed to joint investments with a Chinese partner, Wang said.

There are presently 930 enterprises in the province which are totally funded by foreign investors. Of these, 381 were set up in the first seven months of this year, he said.

The new boom in foreign investment in the province can be attributed to the favourable investment climate cultivated in Guangdong in the past decade.

The province put great effort into improving its power supply, and transportation and communication systems, which are now nearly at the same level as Hong Kong.

Guangdong spent 3.8 billion yuan (\$808 million) in the past 10 years to build highways and bridges. This was 12

times the amount spent in the 29 years before the adoption of the open policy.

At present, 99 percent of the towns and 83 percent of the villages in the province are connected by this highway network.

The province also offers many incentives to investors.

### **Chengdu Doubles Amount of Earned Foreign Exchange**

*OW1310072590 Beijing XINHUA in English  
0647 GMT 13 Oct 90*

[Text] Chengdu, October 13 (XINHUA)—Foreign trade in Chengdu, capital of southwest China's Sichuan Province, has been developing rapidly over the past three years.

By the end of September the city had exported 60 million U.S. dollars-worth of goods this year, double the amount of foreign exchange the city earned last year.

The city was granted the power to directly engage in foreign trade in 1988. Over the past three years the city has exported chemical, medical, textile and poultry products to the United States, Japan, Europe, Southeast Asia, Hong Kong, Macao and Taiwan. It has been establishing long-term foreign trade relations with increasing numbers of overseas businessmen, according to Wu Peixian, director of the city's foreign economic relations and trade committee.

### **Nankai Economists Analyze Effects of Devaluation**

*90CE0512A Tianjin NANKAI JINGJI YANJIU  
[NANKAI ECONOMIC JOURNAL] in Chinese No 4,  
Jun 90 pp 35-40, 46*

[Article by Dong Jiadong (0157 1367 2767) and Chen Wenhao (7115 2429 3185), International Economics Department, Nankai University: "Preliminary Exploration of the Effects of Renminbi Devaluation"]

[Text] Devaluation of the renminbi several times since the beginning of reform and opening to the outside world has aroused concern. For this reason, this article makes a preliminary exploration of this subject.

## **I**

Historically, the setting of the renminbi exchange rate has gone through four stages. The first stage was from 19 January 1949 to early 1953 when the exchange rate between the renminbi and the dollar was set in terms of the weighted average value for three things, namely the price ratio between the renminbi and the dollar for exports, for imports, and for overseas Chinese living expenses for daily necessities, all adjusted for changes in international market relative price levels. The second stage was from early 1953 to 1970 when the renminbi exchange rate was substantially stable. The third stage

was in the wake of the collapse of the Bretton Woods system in 1970, when the renminbi exchange rate was set in terms of a basket of currencies instead of the formerly used American dollar standard. The fourth stage was after 5 July 1975 when the renminbi was once again pegged to the dollar. This stage was further divided into several sub-stages, namely from 5 July 1976 to 31 December 1980 when a single exchange rate was maintained between the renminbi and the dollar; from 1 January 1981 to 31 December 1984 when, simultaneous with the announcement of a renminbi foreign exchange posted price, the state instituted an internal clearance price for trade; and from 1 January 1985 to 30 October 1985 when a single exchange rate between the renminbi and the dollar was revived, the renminbi's foreign exchange posted price and the internal clearance price being combined into one, the former internal clearance price becoming the foreign exchange posted price for a single exchange rate at that time. On 30 October 1985, the renminbi was openly devalued against the dollar for the first time. This was followed by the second renminbi devaluation against the dollar on 5 July 1986, and by the third renminbi devaluation on 16 December 1989. In addition was the revival of a single exchange rate on 1 January 1985, making four devaluations in nine years.

An overall view of the process of change in renminbi exchange rate arrangements shows that from 1950 to 31 December 1980, renminbi exchange rate arrangements pretty much tried to reflect the renminbi's actual value or purchasing power. Beginning in January 1981 renminbi foreign exchange arrangements were marked by double rates of exchange, which were both a yardstick reflecting the actual purchasing power of the renminbi, and also a policy measure to encourage exports and to limit imports to a certain extent.

## II

Under ordinary circumstances, a country's foreign exchange rate arrangements should reflect the currency's purchasing power. We believe that renminbi foreign exchange rates were set on the basis of purchasing power average value. By so-called purchasing power average value is meant the conversion rate between two country's currencies set in terms of the purchasing power of their separate units of currency. Since the reciprocal of the consumer price index may be used to figure the purchasing power of a country's currency, the purchasing power average value may be figured by using the ratio between the two countries' price index:  $r = p/p_f$ . In this formula, "r" stands for the rate set in terms of the purchasing power average value;  $p_f$  stands for the foreign country's price index, and "p" stands for the domestic price index. Furthermore, changes in foreign exchange rates between the two countries may be readjusted on the basis of relative changes in the price indices of the two countries. The formula is as follows:  $r_1 = r_0 \cdot p_1/p_0 \cdot p_f/p_{f0}$ . In the formula  $r_1$  is the exchange rate following readjustment;  $r_0$  is the basic exchange rate;  $p_1/p_0$  expresses the relative change in the domestic price index; and  $p_f/p_{f0}$  expresses relative changes in the foreign

country's price index. This relative change ratio is the basis for readjustment of exchange rates. For example, the basic exchange rate at the time of the 16 December 1989 renminbi devaluation was  $\$1.00 = 3.7221$  yuan. This rate had been maintained for more than three years without change; thus, it had to be readjusted on the basis of relative changes in prices between China and the United States for three years. Statistics showed the consumer price index (compared with the change from the previous year) to be 5.9, 7.3, and 18.4 percent respectively for the years 1986, 1987, and 1988. During this same period, the American price index (compared with the change from the previous year) was 2.0, 3.6, and 4.0 percent respectively. The new exchange rate calculated on the basis of the formula was  $r_1 = 3.7221 \times (1.059 \times 1.073 \times 1.184/1.020 \times 1.036 \times 1.040) = 3.7221 \times 1.224 = 4.5566$ , which is to say the theoretical degree of devaluation of the renminbi was 18.6 percent. However, the actual degree of devaluation was 21.2 percent, i.e.,  $\$1.00 = 4.7221$  yuan for a 2.6 percent difference between the two.

Generally speaking, a currency devaluation can play two roles: one is that it makes exchange rates accurately reflect, or more accurately reflect, the purchasing power of a country's currency. The other is that devaluation readjusts trade and evens the balance of international payments. This is because, when a country has an adverse trade balance, all other things being equal, this is reflected in foreign exchange markets in the form of a supply of the country's currency being greater than demand. Bringing supply and demand back into balance requires a lowering of the price of the country's currency. This process of balance between supply and demand is reflected in the import-export commodity market, meaning that the prices of imported commodities expressed in the country's currency rise as a result of currency devaluation. On the other hand, the price of export goods expressed in terms of another country's currency fall as a result of the devaluation. The former restrains domestic demand for imported goods, and the latter stimulates foreign demand for the devaluing country's exports. The decrease in imports and the increase in exports reduces foreign exchange payments and increases receipts to bring about an improvement in the trade balance.

Ordinarily, there are three possible relationships between currency devaluation and improvement of the trade balance as follows: When the actual degree of devaluation is lower than the theoretical degree of devaluation, the trade balance will improve; however, it will not reach equilibrium. When the actual degree of devaluation is equal to the theoretical degree of devaluation, the trade balance will reach equilibrium. When the actual degree of devaluation is higher than the theoretical degree of devaluation, the adverse trade balance will become a favorable balance. The renminbi devaluations have generally been of the third kind. However, the foregoing relationships are not absolute; they are also limited by the elasticity of demand for import and export

commodities. According to the Marshall-Lena [0519 4780] requirements, only when the absolute value of the sum of import and export demand elasticity is greater than one does the foregoing correlation exist. This is to say that only when imported products price changes expressed in local currency terms, and export products price changes expressed in foreign currency affect changes in the volume of demand, and when export product prices expressed in foreign currency terms have an overall effect on changes in the volume of demand causing an increase in net foreign exchange earnings can the foregoing relationship exist. In addition, it is affected by time delays. On the basis of foreign experience, it usually takes between one-half to one year for devaluation to have an effect, and the final results take between two and three years to appear.

### III

For a fairly long period before 1981, the renminbi exchange rate was overestimated. This resulted in a situation that benefited imports and hurt exports, the high customs duties on imports being used to subsidize exports. Since foreign currency prices of exports could not reflect enterprises' production costs, the state consistently subsidized exports. Following reform and opening to the outside world, renminbi exchange rate arrangements become a hot topic in both theoretical circles and among those doing practical work. At that time, some experts suggested on the basis of many years research that when the renminbi was pegged at  $\$1.00 = 2.60$  yuan, most enterprises could make a normal profit, and when the exchange rate was pegged at  $\$1.00 = 2.80$  yuan, exports would be stimulated. On 1 January 1981, China began to implement double exchange rates, namely an internal trade clearance rate of  $\$1.00 = 2.80$  yuan, with the State Administration of Exchange Control additionally announcing a renminbi posted foreign exchange price, the average median rate for which was  $\$1.00 = 1.7051$  yuan in 1981. The objective was very clear, namely to use an undervalued trade rate to promote exports and to limit imports to a certain extent. The actual trade situation showed this action substantially reached the anticipated goal.

**Table 1: China's Foreign Trade Balance**  
(Unit: \$1 Million)

Year	Total Imports & Exports	Total Exports	Total Imports	Trade Balance Difference
1980	38.14	18.12	20.02	-19
1981	44.02	22.01	20.02	-0.1
1982	41.61	22.32	19.29	+30.3
1983	43.62	22.23	21.39	+8.4
1984	53.55	26.14	27.41	-12.7

Source of Data: Chinese Economic Yearbook, 1985

Table 1 shows that after the institution of the double exchange rate in 1981, a balance between trade receipts and expenditures was substantially achieved. For the two

succeeding years of 1982 and 1983, a favorable balance of trade was realized. The main reasons were a decline in imports and a slight increase in exports. The combination of the two meant that for the three years from 1981 through 1983 the favorable balance of trade reached \$3.84 billion. This was a rather impressive feat, and one that accumulated foreign exchange that permitted increased imports for the next two years. However, by 1984 another adverse foreign trade balance occurred whose relationship to foreign exchange rate arrangements was that the period of benefits from the devaluation had passed. The rise in prices of imported goods once again adversely affected export price levels, thereby offsetting the low price advantage stemming from the devaluation. This caused a new rise in the price of exports for a weakening of competitiveness. This shows that the implementation of internal clearance prices was basically for the purpose of stimulating trade, and was not primarily a reflection of the renminbi's actual purchasing power.

The double foreign exchange pricing system hurt China's international image regarding the continued deepening of reform and opening to the outside world. This was because foreign exchange rate arrangements had a bearing on economic administrative system reform, particularly on whether foreign trade enterprises would be able to free themselves from the need for state assistance, face international markets, and take part in international competition with responsibility for their own profits and losses. Therefore, after a one-year transition period in 1984, a single foreign exchange price was put into effect beginning 1 January 1985 with a foreign exchange posted price of  $\$1.00 = 2.80$  yuan. This foreign exchange rate arrangement lost its role in stimulating trade inasmuch as this rate had long been used in foreign trade clearances. The actual situation was that after an adverse foreign trade balance appeared in 1984, an adverse balance continued during 1985, and the amount was substantial. Statistics showed that in 1985 China's exports totaled \$27.35 billion, and its imports totaled \$42.25 billion leaving a huge adverse balance of \$14.9 billion. To deal with this, the foreign exchange rate measures that the state adopted included a 16.7 percent renminbi devaluation on 30 October 1985, i.e., a new exchange rate of  $\$1.00 = 3.20$  yuan. Even though the adverse trade balance narrowed as a result, results were not extremely marked. Statistics show imports totaling \$42.91 billion, and exports totaling \$30.94 billion for 1986, the adverse balance of trade still amounting to \$11.97 billion. Thus, on 5 July 1986, the renminbi was devalued again, this time from  $\$1.00 = 3.20$  yuan to  $\$1.00 = 3.7221$  yuan. As a result, total exports were \$39.437 billion and total imports were \$43.216 yuan for 1987. Corresponding figures for 1988 were \$47.54 billion and \$55.251 billion, the adverse balance for the two years being \$3.77 billion and \$7.71 billion respectively. Despite the very great decrease in the adverse balance, it seemed that the actual degree of devaluation had not been sufficient. In particular, not only did the 1988 adverse trade balance not decline with the extension of

the "devaluation period of effectiveness," but rather increased. Furthermore, in 1989, imports totaled \$59.1 billion and exports totaled \$52.5 billion for a continuing \$5.5 billion yuan adverse trade balance. This is to say that despite the two lowerings of the renminbi exchange rate of 1985 and 1986, which devalued the renminbi by 32 percent, the degree of devaluation still seemed insufficient. From 1987 through 1989, the cumulative adverse trade balance was \$18 billion. Faced with such an adverse balance of trade, by how much more should the renminbi be devalued?

We had better look back to analyze the deep down reasons for changes in the trade balance.

First of all, in the adverse trade balance that began in 1985, exports increased 4.6 percent over the previous year, while imports increased 54 percent for the same period. Such a large change in imports obviously showed that imports were out of control. Statistics showed that motor vehicle imports for 1985 were up 160 percent from 1984, including a more than four-fold increase in small sedan imports; and television imports increased 100 percent. This resulted in a large decrease in the country's foreign exchange reserves. Statistics also show that during the one-half year period from the third quarter of 1984 until the end of the first quarter of 1985, national foreign exchange reserves declined from \$16.672 billion to \$11.26 billion. In 1986, the adverse foreign trade balance was nearly \$3 billion less than for the previous year. This was a splendid accomplishment attributable a 13.1 percent increase over the previous year in 1986 exports. This included exports of petroleum, the principal foreign exchange-earning product for 1985, the export of which declined during 1986 as a result of a large slide the world market price for petroleum. This meant a \$3.8 billion decrease over the previous year in foreign exchange earnings for a 55.6 percent decrease in exchange earnings from this source. This meant that in order to realize an increase in total exports, not only would an increase in other products be necessary to make up for the decrease in petroleum exports, but exports would also have to increase by an additional 13.1 percent on top of this. A substantial portion of the increase in exports came from light industrial products and textiles, grain, edible oil, and foodstuffs, handicrafts, and electromechanical products. As a result, very great changes occurred in the makeup of China's export wares. Petroleum product exports, which accounted for 25.9 percent of all exports in 1985, fell to 11.7 percent. Correspondingly, exports of light industrial manufactures, textiles, and metal manufactures increased from 16.5 to 19.1 percent; other miscellaneous light industrial goods increased from 12.8 to 16 percent; and unclassified products increased from 12.4 to 19.5 percent.

Generally speaking, if currency devaluations play any role at all, it is mostly in promoting the total amount of exports; they do fairly little in producing a very great effect on the export product mix, particularly during the year following currency devaluation. However, the 1986

increase in China's exports occurred as a result of a readjustment of the export product mix. This cannot help but make people wonder about the results obtained from currency devaluations. The actual situation was that the increase in 1986 exports resulted from various factors. According to the analysis of an authoritative person, the 1986 increase in exports was attributable largely to the implementation of various measures to encourage exports, including the following: permitting enterprises to retain foreign exchange earnings; tax rebates for exports; lowering of the posted price of renminbi relative to foreign currency; and greater macroeconomic control over the export trade, which brought about a rally in export prices. We know that lowering the price of foreign exchange means that when changes occur in the prices of commodities expressed in one's own currency, prices expressed in foreign currency decline. This run-up in prices clearly cancels out the role of currency devaluation. However, if prices expressed in terms of one's own currency rise, that means that prices expressed in terms of foreign currency will not decline as a result of currency devaluation. Consequently, one might say that the increase in exports during 1985 was attributable largely to the encouragement of exports and did not stem from devaluation of the renminbi. A look at imports shows an only 1.5 percent increase in 1986 over 1985. This was attributable principally to the government's greater control over the importation of goods, which greatly decreased imports of motor vehicles, high quality durable consumer goods, and assembly lines. Clearly this was not the result of the rise in prices of these commodities following readjustment of the exchange rate, but rather the result of government's planned control.

In 1987, the country's adverse trade balance declined greatly once again, falling by another \$8.2 billion over 1986. The main reason was a 27.4 percent increase in exports over the previous year, and an only 0.6 percent rise in imports. This was a stupendous accomplishment. On the export side, it resulted mostly from our great increase in exports of textiles and other light industrial manufactures. Statistics show a 30.243 billion yuan procurement value of textiles for foreign trade, up 48.6 percent from 1986. Exports of the China Textiles Import-Export Corporation and of the Silk Import-Export Corporation for 1987 totaled \$8.17 billion in value, up 25.2 percent from the previous year, and accounted for 23.6 percent of the country's total exports. This was mostly because textile industries worked together with foreign trade departments to arouse enterprise's interest in production, to decrease enterprises' added value tax burdens, and to increase the textile industry's investment in fixed assets. For example, in 1987 the textile industry invested 10.702 billion yuan in fixed assets, 24.7 percent more than during 1986. In addition, the state adopted a ceiling and a floor price procurement policy for staple sensitive products for foreign trade, which prevented the recurrence of a situation of jacking up procurement prices and competition to hold down prices of exports. In the import field, the



main reason for the only 0.6 percent increase in imports during 1987 was largely stronger import permit controls and strict checking of quotas. The importation of small motor vehicles and of high quality durable consumer goods also continued to be restricted.

Clearly, the decisive factor restricting changes in China's imports and exports was the government's various policies. Our analysis of changes in the foreign trade balance for later years will emphasize this conclusion.

Nevertheless, an accompanying problem was that arrangement of the renminbi exchange rate was indeed able to play a role in increasing exports and limiting imports. Thus, we have no choice but to study the general conditions that play a role in the foreign exchange mechanism.

#### IV

Generally speaking, for a country's currency devaluation to have an effect, it must have sufficient adaptability in terms of export supply and import demand. This adaptability derives from the economic development level and climate, and the operating mechanism. First of all, on the supply side, there must be a certain amount of relative surplus output or production capacity in a country's short-term supply in order to be able to satisfy the increase in exports. When currency is suddenly devalued, these products must be sufficient in the short term to supply exports. In long-range terms, the speed of increase in domestic supply has to exceed the speed of increase in domestic demand in order for the country to be able to supply the increase in foreign demand that currency devaluation occasions. Second, import demand should generate some elasticity with regard to changes in market commodity prices, i.e., the amount of demand should change as import prices change, and readjust to a greater or lesser extent. Third, operation of the domestic economy must not rapidly dissipate the benefits obtained from currency devaluation. Otherwise, the anticipated goals of devaluation will not be realized.

Use of this line of thinking in analyzing the conditions and climate for renminbi devaluation makes our conclusions clearer.

First is a consideration of import demand. Ours is a developing socialist country in which a planned commodity economy is a feature of our economic operating mechanism. In order to accelerate the building of socialism, we must import advanced foreign machinery and equipment in a planned way. The imports needed on some large- and medium-sized projects are set in the country's intermediate and long-range economic plans, which cannot be adjusted because of changes in exchange rates. From the perspective of individual enterprises, import plans usually have to be examined and approved level by level, and everything to be imported usually cannot be canceled because of changes in exchange rates. In addition, following reform of China's foreign trade system, the increase in enterprises' foreign exchange retention and autonomy provided enterprises with a

certain amount of decision making authority on imports. A look at the make-up of imported goods shows that there is very little demand price flexibility for the advanced technical equipment and the raw and processed materials that the country lacks. This rules out the possibility of currency devaluation affecting the importation of these products. Under ordinary circumstances, products of this kind will account for between 80 and 90 percent of the country's total imports. In other words, only between 10 and 20 percent of imports can be readjusted as prices change. An example is tobacco products. A look at the correlation between imports and domestic production shows that for a long period of time a sellers' market has existed because the country's supply of durable consumer goods has not met demand. This resulted in a situation whereby the emphasis was solely on quantity with no concern for quality in order to increase output. On the other hand, China also imported some durable consumer goods at the same time, and since the quality of the imports was higher than that of domestic products, there was no way to substitute domestic products for imported durable consumer goods. This stronger inability to make substitutions became, the greater the difficulty for China's own durable consumer goods industries to develop and improve. Furthermore, the more domestic industries were unable to develop, the greater the impossibility of substituting domestic for imported durable consumer goods; thus demand price elasticity became increasingly small, which meant an ever smaller reaction from currency devaluation, and an ever-smaller change in demand for imported goods. Therefore, overall, the country's demand for imported goods will not change as foreign exchange rates are adjusted. For example, following the renminbi devaluation of 16 December 1989, not only was there no change in market prices of imported television sets and cigarettes, but rather they declined somewhat.

Even though changes in the exchange rate have no great effect on import demand, they can influence domestic consumer goods prices, and they can also adversely affect enterprises whose production depends on imported raw and processed materials and whose product prices may consequently rise. Staff member and worker wage levels may rise because of the increase in consumer goods prices, thereby increasing production costs. If production units that use imported raw and processed materials sell their products in international markets, export prices will rise quickly. This means the benefit of currency devaluation in stimulating exports will have been lost.

Second is a consideration of the export side. First, ours is a country with a large population, and whose level of economic development is currently relatively low. Increase in output resulting from either short-term price changes or long-term increase in domestic supply will be soaked up by ever-increasing domestic demand. This is just the reverse of the situation in developed western countries whose main problem is finding markets, while

we are facing a production problem. In order to plan for or increase exports, it is necessary to forget about satisfying domestic demand for the time being. Second, China has a planned commodity economy, which requires that sources of supply for our foreign trade and the development of foreign trade has to be organized from top to bottom by a series of foreign trade corporations and foreign trade bases. It should be said that when domestic enterprises have not yet formed bloc-style or monopoly organization-style market forces, centralized state control helps reduce the occurrence of a disadvantageous situation in which all jurisdictions hold down prices and compete with each other for exports; however, this actually also limits enterprises autonomy in readjusting prices and production as international market conditions require. Third, if domestic production develops at the same time as foreign trade develops, this is bound to create a shortage of raw and produced materials. Getting these raw materials or semi-manufactures requires purchasing them at high prices. Domestic industry has seen overheated growth in recent years, so foreign trade departments have been particularly required to do this in order to obtain large quantities of raw materials and agricultural by-products

inasmuch as foreign trade units have time restraints on their procurement of products, their work places heavy requirements on them, and quality requirements are high. However, purchases at high prices for foreign trade can offset the low prices that devaluation has brought about. In addition, procurement of sufficient amounts of raw materials and products for domestic trade also means paying a correspondingly higher price. This causes a rise in domestic prices, which may cause a rise in export product costs. In short, price rises in both a short-term and a long-term sense can vitiate benefits from currency devaluation.

As economic system reform deepens, as enterprises autonomy increases, and as state-owned businesses, state-owned industrial enterprises, foreign trade department, township and town industries, and individual industrial and business enterprises become basic raw material and product sales channels in economic development, the former situation in which state-owned businesses monopolized product procurement markets no longer exists. (See Table 2)

**Table 2. Total Amount and Make-Up of Agricultural By-Product Procurement (Unit: 1 Million Yuan)**

	1980		1985		1987		1988	
	Money	Percent	Money	Percent	Money	Percent	Money	Percent
Total	84.22	100	168	100	236.92	100	299.89	100
Commercial Sector Procurement	67.7	80	107.2	63.8	144.41	63.1	179.43	59.8
Foreign Trade Procurement	1.97	2.3	5.82	3.5	9.61	4.1	12.57	4.2
Industrial and Other Sector Procurement	9.62	11.4	32.6	19.4	48.71	20.5	63.38	21.1
Non-Peasant Procurement From Peasants	6.9	8.0	28.2	16.8	43.8	18.5	57	19

Source of Data: China Yearbook, 1989

Table 2 shows that even though state-owned businesses remain the main channel, their percentage of total procurement value has fallen in a straight line. The fastest rising percentage is industrial and other sector procurement followed by nonpeasant purchases from peasants. Even though the percentage of foreign trade unit procurement per se is rising, it is still a long way from catching up with the speed of increase in the percentage of industrial enterprises and other channels. Consequently, the ability of industrial enterprises and individually owned industries and businesses to control market prices is on the rise. They do not have to hesitate in raising procurement prices in order to get the raw and processed materials they want, and then they can turn around and sell them to consumers. By contrast, foreign trade departments are unable to do this because ever since 1987, when the state set a ceiling and a floor price for foreign trade procurement in order to prevent foreign trade units everywhere from jacking up prices and panic buying and holding down prices for exports, this has

placed foreign trade units at a disadvantage. The jacking up of prices to make purchase for domestic trade has forced foreign trade units to raise procurement prices within the set ceiling. However, the greater the role of renminbi devaluation in stipulating foreign trade, the heavier the foreign trade procurement task, and the greater the need to raise prices in order to be able to fulfill export procurement quotas. This creates a further rise in export product prices as a result of the rise in procurement prices; otherwise enterprises would run a loss. In short, no matter whether foreign trade drives domestic trade procurement price increases, or whether internal trade procurement drives foreign trade price increases, they both can weaken or even dissipate benefits from renminbi devaluation. Maintenance of export prices without change would mean doing foreign trade business at a loss, which would cripple the interest of foreign trade enterprises. Faced with these circumstances, if subsidies were adopted, that would mean a return to the former cycle in which the state or local government subsidized foreign trade. If the renminbi

continues to be devalued, that gets into the vicious circle of devaluation followed by a rise in costs followed by further devaluation.

The problem is whether we can prevent raw and processed materials prices from rising. One way of doing this is to increase production. But some sectors cannot accomplish this. For example, in the textile industry

cotton yarn is basic, but basic to cotton yarn is cotton production, so increasing the supply of cotton year to satisfy domestic and foreign market needs requires increasing cotton production and procurement. However, the reality is that because state-set cotton procurement prices are very low, and the costs of producing cotton are very high, the peasants do not want to grow cotton.

Table 3. Chinese Cotton Procurement Prices and Output

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
Procurement Price Index (at 100 for the previous year)	116.2	104.8	101.5	100.2	101.1	97.7	99.5	104.7	108.6
Output (1 million tons)	2.707	2.968	3.598	4.037	6.282	4.149	3.54	4.245	4.147

Source of Data: China Yearbook, 1989

Table 3 shows that a very slight change in cotton procurement prices dampened peasant interest in production. It caused a rapid decline in cotton output from its peak in 1984, thereby causing the Chinese textile industry to face a grim situation of not having the wherewithal for production. Because of the substantial boom for a fairly long period of time in export demand and domestic demand for all kinds of cotton cloth, there was a scramble for cotton yarn for both domestic and foreign trade. No matter which enterprise competed successfully for the cotton yarn, it meant raising the sale price of the final products thereby canceling out benefits from devaluation of the renminbi.

So why was it that we said that adoption of a renminbi internal clearance price for the period 1981 through 1983 functioned to promote foreign trade?

First of all, the internal clearance price used during this period was actually an open foreign trade subsidy. This

form of subsidy can enable enterprises to gain a certain amount of material advantage.

Second, economic conditions at that time did not yet possess a mechanism for offsetting benefits from renminbi devaluation. The conditions were as follows: First, during this period, reform of the industrial administration system had not yet begun, so enterprises had no authority to select raw materials themselves. Second, production had just begun to get started after the 10 years of turmoil, so the conflict between supply and demand for all kinds of raw materials was not yet evident. Third, the level of domestic demand had not yet inflated sharply. Specifically, the state could still rely on control of the overall wage bill to control individual demand. The income level was not high; it was not common for people to have money that they were waiting to use to buy something; and there was still fair sensitivity to changes in prices of imported goods. Fourth, price system reform was still in the price readjustment stage; price restraints had been removed on only small commodities.

Table 4. Statistics Showing China's Basic Economic Circumstances (Taking 100 for the Previous Year)

	1982	1983	1984	1985	1986	1987	1988	
Industrial Production Index	104.3	107.8	111.2	116.3	121.4	117.7	117.1	120.8
Retail Price Index	102.4	101.4	101.5	102.8	108.8	105.9	107.3	118.4
Whole Month Staff Member and Worker Average Wage Index (Cash Wages)	101.3	103.3	103.5	117.9	117.8	115.7	109.8	119.7

Source of Data: China Yearbook, 1989

Table 4 shows changes in the staff member and worker wage index and in the price index to be basically identical. During the first several years production was fairly slow relatively speaking, but the increase in production was still slightly ahead of the increase in wages. This provided a certain material basis for a faint increase in exports. However, since the staff member and worker wage level increased very slowly in the several years prior to 1984, staff member and worker demand was easily influenced by price changes. The reality was that during the period when double foreign exchange rates were used, improvement in the foreign trade balance

depended primarily on reducing imports, and only second on a slight increase in exports. However, the situation thereafter caused the vicious cycle referred to above.

Therefore, the matter of benefits from renminbi devaluation is not primarily one of a theoretical loss of benefits from devaluation, but rather unfavorable economic conditions for carrying it out.

We believe that the main reason that benefits from the most recent renminbi devaluation were slightly better than from the previous two devaluations were as follows:

1) The economic retrenchment of the past several years caused the overheated economy to cool down, so the speed of price rises slowed and demand weakened, thereby extending the effective period of the renminbi devaluation. 2) Because of the decline in the staff member and worker income level, enterprises paid more attention to lowering product costs and improving commodity quality in maintaining and developing production. However, evaluating benefits from renminbi devaluation also requires a determination of the state of the international climate, which means finding out the extent to which the international market is able to absorb China's exports.

In summary, benefits from renminbi devaluation are limited by the level of economic development, the economic operating system, and the economic climate. Under the prevailing economic climate in China, benefits from devaluation of the renminbi are fairly limited. Therefore, we believe that sole reliance should not be placed on devaluation of the renminbi to bring about improvement in the trade balance. The current arrangement of the renminbi exchange rate reflects the real purchasing power of the renminbi and the production costs of foreign trade enterprises. More emphasis should be placed on beneficial policy measures that promote foreign trade.

### **Swift Formulation of Software Protection Law Sought**

90CE0498B Beijing GUOJI SHANGBAO in Chinese  
25 Aug 90 p 2

[Article by Guan Anping (7070 1344 1627): "Preliminary Comments on Measures To Expand Exports of China's Technologies"]

[Text] In contemporary international trade, technological innovation has become a major means for expanding a country's exports. Therefore, smoothly and rapidly placing technologies which meet international demands on the world market is also one important aspect of promoting China's foreign economic relations and raising the economic returns of its foreign trade.

### **I. Overall Planning and Management of China's Technological Exports**

While we encourage technological exports, we should carry out overall planning and management of them. The reason is that technological exports have specific characteristics which are closely related to international political and economic structures. For example, U.S. laws prohibit U.S. firms from transferring strategic materials and technologies to socialist countries, and they classify technological exports into several categories. The green category refers to general technologies which can be exported freely and without limitation. The yellow category includes technologies whose export is controlled by the U.S. Department of Commerce. The red category covers technologies which basically cannot

be exported. In this way, the United States places technological exports under strict state administration.

The Chinese government has also formulated some administrative regulations regarding technological exports. Some technological exports must undergo examination and approval by responsible departments of the government. However, administrative regulations are still not specific enough in this area. This writer proposes that three basic categories for current domestic technologies be established. The first category would refer to technologies which can be exported freely by all firms having the right to engage in foreign trade of technology. The second category would contain technologies which can be exported only by specially designated firms and which are administered using technological export licenses. The third category would involve technologies which cannot be exported. Foreign economic and trade departments at all levels would administer to these three technological categories. Even technological items belonging to the first category mentioned above, which is under open management, would require approval by the departments in charge of economic trade and science and technology before being exported.

### **II. Criteria for Scientific and Technological Classifications**

Technological exports should be classified into various categories, and different categories should have different administrative measures. This is a complex systematic project whose primary task is to set up scientific criteria for classifying technologies, and then categorize technologies according to these criteria. Departments responsible for economic trade and science and technology must follow these criteria when managing technological exports. This will result in their behavior becoming scientific and statutory.

### **III. Regulating and Controlling Policies Which Promote the Shift Towards Industrializing Laboratory Technologies**

The prices for laboratory technologies are low. Once they are sold and turned into industrial technologies by the buyers, we lose the enormous profits these technologies earn after they have been industrialized. There is even the possibility that we will import such technologies back into China.

Institutions or individuals with laboratory technologies often do not have the corresponding financial resources to push their technologies into the industrialization phase. They are eager to sell their technological achievements at their earliest convenience so that they can receive the returns on their technological investments and reinvest these returns in new experiments. To solve such problems, besides implementing group management of enterprises involved in technology, industry, and trade, the state should also establish a foundation to



promote the industrialization of technological achievements. This will spur on completion of the industrialization process of those scientific and technological achievements which have an industrial future and offer relatively good technological and economic results. Meanwhile, the state must establish policies and regulations, and investigate the possibility of industrializing scientific and technological achievements so as to maximize returns from limited financial resources. Of course, those scientific and technological achievements which cannot be industrialized domestically must be swiftly transferred abroad, as long as they are not classified as technologies whose exports are forbidden. In this way we can avoid having the economic value of such technologies decline or disappear as time goes by.

#### **IV. Information Exchange for Technological Exports and Imports**

After importing some technologies, we have found that some are not very advanced compared with domestic technologies. Because of this, we should establish a station to exchange technological information. In this way we can prevent the situation mentioned above from occurring.

#### **V. Financial Support for Patent Applications Abroad**

In China, often when many individuals or work units who possess scientific and technological achievements want to apply for patents overseas, they face the problem of having little financial resources or no foreign exchange. The state should, according to the situation, encourage and support them in realizing their desires. This is because, once these scientific and technological achievements have been patented abroad, they will have many more potential buyers. Because searches on patent documents overseas are extremely convenient and because there is also patent protection overseas, the selling price of technological achievements will naturally increase by a large amount. At present, we should quickly set up a foundation for overseas patent applications. The foundation would select prime scientific and technological achievements to apply for patents abroad. Once these patents have achieved economic results, the foundation can propose a system for receiving a reasonable amount of the profits so that it can also expand its strength.

#### **VI. Quickly Formulate Software Protection Laws**

We have various forms of computer software exports. Although software products are sold at low prices, in the final analysis we have made some initial progress. Software protection is a new topic in the world today. There are many cases of violations of software rights in the world. Other countries are actively researching measures to protect the legitimate rights of software creators in their own countries. In order to continue expanding China's software exports, we must swiftly formulate software protection laws. Specific steps can be first taken by provincial-level legislative organs, such as those in Beijing and Shanghai. Afterwards an effective

national software protection law can be formulated. In this way, we can not only fill in some of the legal gaps, but also can create a good legal environment for promoting software development.

## **ECONOMIC ZONES**

### **Liaoning Reports Dalian Zone's Export Figures**

*SK1410131290 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 12 Oct 90*

[Summary] At the end of September, the city-run enterprises in the Dalian Economic Zone earned more than \$500 million through exports, a 17.3-percent increase over the same period in 1989. They overfulfilled state targets by 20 percent. The economic zone has also expanded trade and barter trade with foreign countries this year. The foreign-funded enterprises in the zone earned more than \$100 million during the January-September period this year.

### **Yantai Attracts Additional Foreign Funds**

*OW3009081190 Beijing XINHUA in English 0717 GMT 30 Sep 90*

[Text] Yantai, Sep 30 (XINHUA)—Yantai, a coastal city in Shandong Province, used foreign loans worth 20.38 million U.S. dollars in the first eight months of 1990.

The loans from foreign governments and international financial organizations were used for power plant construction, technical upgrading of older enterprises, and agricultural development projects.

According to Li Zuojin—a member of the city's Committee of Foreign Economic Relations and Trade—Yantai has signed 23 project contracts involving over 60 million U.S. dollars in foreign loans since becoming an open coastal city in 1984. Ten of the projects involved foreign government loans totaling 16.45 million U.S. dollars, and the other 13 projects involved 44 million U.S. dollars in loans from international financial organizations.

Upon completion the projects will add 320 million yuan (65 million U.S. dollars) to the city's production output and will increase export volume by 34.27 million U.S. dollars.

### **Shanghai's Pudong Area Awarded Development Loans**

*OW1410052590 Beijing XINHUA in English 0229 GMT 14 Oct 90*

[Text] Shanghai, October 14 (XINHUA)—The Pudong branch of the Shanghai Construction Bank is to extend 2.5 billion yuan (530 million U.S. dollars) in loans to support the development of the Pudong new area of Shanghai during the Eighth Five-Year Plan (1991-95) period.

The first batch of the loans will be temporary loans worth 450 million yuan (96 million U.S. dollars) and 63.75 million U.S. dollars in foreign currency.

The loans will be used to help enterprises in Puxi on the western bank of the Huangpu River move to the Pudong area on the eastern bank of the river, to develop land and real estate and to build basic facilities.

Some 161 enterprises and units located in the new area have established or are to set up cooperative relationship with the branch.

Cooperative contracts have recently been signed with the Broadcasting and Television Bureau, Shanghai Port Administration Bureau, Gaohua Company, Yaohua Glass Factory and other enterprises in the city.

The newly built Pudong branch will mainly help develop the area's export-oriented economy, support joint ventures, enterprise groups and overseas investment, and upgrade technology in existing enterprises.

The branch is also to provide comprehensive financial services to enterprises and projects in Pudong.

## LABOR

### Approach To Relocating Surplus Rural Labor Outlined

90CE0452 Beijing JINGJI CANKAO in Chinese  
23 Jul 90 p 4

[Article by Song Boqin (1345 0130 0530): "Guided Relocation: A New Approach To Resolving the Problem of Surplus Agricultural Population"]

[Text] It is estimated, according to statistics, that by the end of this century and the beginning of the next, China's countryside will have a surplus labor force of about 350 million, excluding the population absorbed by town and township enterprises and that needed for farm production. Finding employment for the surplus agricultural population poses a major social and economic problem. The direction and means by which this population is shifted affects not only the vital interests of the broad masses but also national economic development and overall social peace and stability.

I believe that the needs of socioeconomic development and China's current conditions and capabilities make guided relocation of surplus agricultural population a more practical and feasible approach. Such a shift includes both regional and sectoral aspects.

1. In spatially redistributing population, we should stress the distance effect of population movement, apply regional guidance, stabilize the shift of agricultural population toward cities and towns within certain specific economic regions, and strive for optimal social results for population movement. After 10-plus years of exploration and experience with reform and opening up to the

outside world, we have identified a number of laws governing the relocation of surplus agricultural population. The social benefits and spatial range of population movement are very closely related. Within the boundaries of a single county, the effects improve directly as the spatial range expands; such is the case within the confines of traditional economic regions, even when these shifts cross administrative boundaries. However, markedly negative effects appear, in the most serious instances even undermining social stability, when relocations transcend traditional economic regions—especially massive crossing of provincial and municipal boundaries—and are not consciously regulated. The greater the distance, the more serious the results of population movement. This spatial-effects curve reflects the restraints placed by socioeconomic capacity on population mobility. Whether organized or spontaneous, population movement always is conditioned by objective laws governing social development and the economy. Within a finite space, because the number of migrants is small and the methods by which they are relocated are well-defined, order can be restored, even if a certain amount of disorder occurs. Similarly, when movement distance is inordinate, the relocation methods are less well-defined and excessive recurrence of such practices will reduce partial order to complete disorder. These spatial effects also reflect China's unique demographic control and administrative systems. Our administrative system is characterized by horizontally interacting blocs, while interregional economic interest boundaries are pronounced, and the household registration system, which controls population, closely links residents and local interests. Besides fundamental economic factors, China's administrative and population control systems also condition the shift of surplus agricultural labor. Furthermore, China's effort to develop her economy is at the preliminary stage, and it will take a long time to change her administrative and population control systems. Thus the spatial limitations on labor shift will long persist and probably will not begin to subside until our population achieves negative growth. Therefore, we must take into account a variety of factors, consider both the objective need for transfer of surplus agricultural labor and what is truly feasible, and pay close attention to the spatial effects of population shift on society. We must determine and set, in accordance with the principle of social benefit, a rational spatial range for the relocation agricultural labor to cities and market towns; transfer appropriate numbers of people within appropriate space; apply regional guidance to population movement; balance the need for such movement with actual socioeconomic conditions; and ensure that such movement accords with the laws of economic development.

2. As for employment of shifted labor, we must root our effort in fully developing and utilizing the advantages of our demographic resources, effect sectoral guidance, and ensure that population movement positively and effectively promotes socioeconomic development. The great size and low qualitative starting point of the surplus

agricultural population pose difficulties impeding its smooth transfer. The laws governing population movement demonstrate that the key to transferring large numbers of people from agriculture to other sectors lies in whether the low-skilled relocated population can rapidly transform into a new productive force. This means that we must have appropriate industries to employ this labor force and that this force, once transferred, must be rapidly transformed into new producers who can generate socioeconomic value. This prerequisite in essence dictates that the shift of surplus agricultural population be guided toward certain specific sectors. In our previous efforts, we adopted several approaches, many of which focused on providing sectoral guidance. Nevertheless, the rigid bifurcation of city and village has created many difficulties for rural-urban occupational relocation. Even though we have diversified rural production and established many town and township enterprises, the fundamentally rural nature of villages and market towns has thwarted development of many promising industries, for example, new ones effecting specialization and socialization of production. This fact to a large degree has limited our ability to use new industry to absorb more people. In addition, the overly protectionist and restrictive policies imposed on urban labor markets have undermined the competitive spirit of urban workers and prevented rational development of many social services that boast great potential and merit development. Once regional guidance is applied to labor shift, populations will become more clustered by occupational type, the economy will be more rationally distributed and concentrated, and the ability of cities, towns, and economic centers to agglomerate and attract people will improve. Then we shall be much better able to promote sectoral guidance and to develop, through economic and administrative control measures, labor-intensive industry suited to the skills of our population. In this area, opportunity is vast, both in terms of existing urban sectoral composition and of developmental need. The range of urban production remains incomplete, and much room still exists for the development of new labor-intensive industry. Moreover, regional population concentration will help promote advance of other industries and provide more favorable opportunity for effecting sectoral guidance. Thus encouraging sectoral guidance will promote economic development and facilitate smooth population transfer.

The relocation of the surplus agricultural population is a demographic problem that is affected by a variety of factors, such as economic composition and distribution, administrative demarcation, and market conditions. Thus, a guided labor shift also requires enhanced macroeconomic control, better coordination and improvement of relevant policy, law, and other factors, and scientific understanding, guidance, and regulation of population movement so as better to promote economic and social development.

## POPULATION

**Official Discusses New Features of Fourth Census**  
*90CE0465A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 30, 23 Jul 90 pp 4-6*

[Article by Shen Yimin (3088 4135 3046), deputy director in charge of day-to-day business at the State Council Census Office: "New Features of the PRC's Fourth Census"]

[Excerpt] The on-site registration for the PRC's fourth census was completed successfully throughout the PRC on 10 July 1990. This census was very difficult to take because the PRC has such a large population and is also a developing country. Accurate census data is not only an important basis for national policymaking, but is also of interest to concerned people throughout the world.

Three censuses have been taken at irregular intervals in the PRC since it was established. The State Council has decided that, beginning in 1990, a census will be taken every decade in the years ending in "0." The PRC's fourth census had many points in common with previous ones, such as the standard registration time being set at 0 hours on 1 July, the census being limited in scope to permanent residents of the PRC, and the overall error rate having to be lower than 0.1 percent. Of course, the 1990 census also had certain new features.

### **The PRC's Fourth Census Encountered Many Distinctive Contemporary Features**

*Each of the PRC's first three censuses were taken in the general background of our planned socialist economy. Along with the PRC's economic reform and opening up to the outside world, the fourth census was taken under the conditions of our major change to a planned socialist commodity economy.*

Some of the many distinctive contemporary features encountered in the PRC's fourth census were as follows:

- Along with the deepening of economic reform, major changes have occurred in the professional and occupational composition of our working population, with large numbers of peasants moving to nonagricultural industries, and a clearly increasing number of people working in professions and occupations which are closely linked to our commodity economy.
- Along with our development of a commodity economy, the size of our transient population has greatly increased, with more than 1 million transients at any particular area or city entering urban areas to work in industry or business.
- Along with the putting into effect of the joint production contract management responsibility system in rural households, and the elimination of rationing of some daily necessities, such as cotton cloth, peasants

are clearly less enthusiastic about reporting their permanent residences, and the number of people who are evading residence registration has greatly increased.

—We are facing a new childbearing peak due to the impact of the birth peak in the 1960's, above-plan childbearing is quite serious in some rural areas, and instances of rural women leaving their permanent places of residence to give birth, so as to avoid penalties, are occurring now and then.

—Along with our development of a planned socialist commodity economy, the need for population information has increased in all areas of society. Not only government organizations, but also institutions, such as all kinds of enterprises, scientific research institutes, and the educational sector, and not only the central government and provincial-level organizations, but also prefectural- and county-level grass-roots units, all hope to acquire timely, collated, and analyzed data from the census. This means that the job of data processing must be able to meet the needs of all parties.

#### Census Questions and Methods Have Changed

*In light of the above-mentioned changes, the 1990 census has adopted certain new measures on matters, such as question design, census method, widespread mobilization of social forces, in-depth investigation, beyond-plan birth registration, transient population registration, and enhancement of quality control and data processing.*

In the area of census questions, based on the principle of the least but the best, i.e., paying attention to maintaining consistency with the last census, while striving to reflect the new advances of our current economic reforms, the number of questions asked in the 1990 census was increased to 21 from the 19 in the 1982 census. The major additions were as follows: 1) population mobility, including questions on "residence five years ago," "urban or rural category of former residence," and "reason for moving;" 2) residence registration questions to distinguish the farm population from the nonagricultural population were added to the permanent residence registration category, to provide data on studying the percentages of peasants shifting to the nonagricultural population, and whether this shift is suited to the level of economic growth.

As to census registration methods, in order to dispel the misgivings of census takers about certain census questions on matters, such as marriage and childbearing, which involve residents' family situations and privacy (such as those about adopted children and premarital childbearing), the major census registration method used in the last three censuses of setting up registration centers, was changed to house-to-house interviewing. Thus, this census required more social mobilization than did the last three. About 7 million people from party and government organs, enterprises and institutions, and rural grass-roots units throughout the PRC were chosen and assigned as census takers.

#### Difficulties Were Overcome To Ensure Accuracy

*The difficulties of the fourth census arose in the registration accuracy of above-plan births and the transient population. The concerned State Council leaders clearly pointed out the need to do everything possible to overcome these difficulties, in order to ensure the accuracy of the census.*

Dispelling the misgivings of grass-roots cadres and the masses about the registration accuracy of above-plan births in recent years, was a new issue in ensuring that this census obtained accurate data. Even though family planning is a basic national policy in the PRC, and above-plan births are wrong and not permitted by our family planning policy, in order to dispel the misgivings of grass-roots cadres and the masses and ensure the accurate registration of above-plan births in this census, the State Council Census Office has provided stipulations on the following three situations:

1. The reasons for reporting violations of family planning policy and registering above-plan births should be stated clearly to local cadres. While confirming their initiative in enforcing family planning policy, they must be called on to allow the permanent residences of these above-plan children to be declared and registered in the census according to the relevant State Council stipulations;

2. Good ideological work must be done to make cadres who are disposed to under-report above-plan births in order to earn political credit and material profit, change their attitudes and accurately report and register above-plan births. While no one will be investigated for reporting accurate information in this permanent residence reregistration and census, those who are discovered to be continuing to under-report above-plan births, will be dealt with even more severely.

3. The masses who do not dare to report above-plan children for fear of being penalized, must be subjected to stronger propaganda and education, to help them understand that the state's purpose in taking a census is to thoroughly investigate national conditions and strengths, and provide a scientific basis on which to formulate various socioeconomic growth policies.

In light of the larger transient population in the PRC today, which is obviously different from the situation that prevailed in the last three censuses, the State Council Census Office has stipulated that all transients who have been away from their county or city of permanent residence registration for more than one year, should undergo census registration at their present place of residence. Census registration for the transient population, as for other residents, should allow no one to be either counted twice or left out. The specific stipulations, based on the particular residence conditions of the PRC's transient population, are as follows: those who live with residents' families, will undergo census registration along with the families with whom they live; renters will undergo census registration in the districts in



which they rent; those who live in factory or enterprise dormitories and in work sheds at construction sites will undergo census registration by census takers from the census districts in charge of their units; transients who live along mountains or roads in homemade thatched shacks and cottages will undergo census registration by census takers from the census or polling districts in which they live; those with no fixed residence who sleep in the open on street corners, in public parks, and under bridges should register without delay when asked to by local census takers, and carry on their person the "census identification card" which they receive, to keep from being counted twice.

Based on current reports from all areas, the expected requirements for census registration of above-plan births and the transient population, were met after these measures were put into effect.

#### Census Work in Border Provinces and Autonomous Regions Was Improved

*Taking the census in the PRC's border provinces and autonomous regions, was harder and even more the focus of world attention.*

For instance, in the first and second censuses which were taken in 1953 and 1964, the census data for the Tibet Autonomous Region was obtained by indirect survey. Although Tibet took a direct part in the 1982 census for the first time, it was asked only one-half of the questions that were asked throughout the rest of the PRC, and was helped with its data processing by the Sichuan Census Office.

The 1990 census was the second one taken on the roof of the world, and the first one in which Tibet processed its census data by computer on its own. Its census questions increased from the 9 in 1982 to 18 in 1990, being short of the national census's 21 questions by only three, such as "migration" and "number of people away from their

places of permanent residence for more than one year." Key questions, such as marriage status, childbearing status, and numbers of births and deaths, were asked directly in Tibet for the first time in this census. The data obtained from this census enabled Tibet's birth rate, infant mortality rate, and average life expectancy to be calculated for the first time, which added much new valuable data for and filled in many gaps in the PRC's family planning, medical and health work, and population studies. Thus, the 1990 census in Tibet was naturally paid close attention to both domestically and internationally.

The Tibet Autonomous Region occupies one-eighth of the land area of the PRC, is a vast and thinly populated area, and has poor transport and communications facilities. In addition, almost one-half of the questions being new ones, the difficulty of the job, the shortage of funds, and the extreme difficulties, made it very hard to take this census. The Tibet Leading Census Group decided to ask the approval of the State Council Leading Census Group to set the census registration period in Tibet from 1 June to 10 July 1990. When I went to Tibet to inspect the census work on 18 June, although counties, such as Damxung, were being inundated by snowstorms, which were causing large numbers of livestock to freeze to death, the census work was still being firmly carried out. It was found upon examination that the Tibetan and Han nationality census takers were filling in the census forms very clearly, in keeping with census stipulations.

After being verified, the national census data will move on to the collation phase. The Census Methods stipulate that census data will be collated in the following three steps: 1) key data will be collated manually before the end of September 1990; 2) a 10-percent advance sampling will be collated by computer before the end of May 1991; 3) all of the data will be collated by computer before the end of September 1992.

Table 1: Table of Comparison for the PRC's Fourth Census

Census Year	Number of Census Questions	Number of Census Takers	Cost of Census	Number of People Counted	Spot Check Quality
1953	6	2.5 million	Included in grass-roots election costs	580.6 million	minus 1.16 percent
1964	9	5.35 million	20 million yuan	694.58 million	minus 0.014 percent
1982	19	over 6 million	about 400 million yuan	1,008,180	plus 0.15 percent
199	21	about 7 million	—	—	—

(Note: The 1953 census was carried out along with grass-roots elections; the "Number of People Counted" column is the population of Mainland China; a "minus" in the "Spot Check Quality" column refers to those who were missed, a "plus" refers to those who were counted twice, and the absence of a plus or a minus means there was no indication that people were either missed or counted twice. Similarly hereinafter)

[passage omitted]

## AGRICULTURE

### Why High Prices Continue Despite Monopoly Control

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[PRICE: THEORY AND PRACTICE] in Chinese No 7,  
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[Article under the rubric "Findings Report" by Feng Guoheng (7458 0948 1854) et al: "Why Have Prices Remained High After Monopoly Control Over Agricultural Supplies Was Instituted?"]

[Text] Between March and April 1990 we visited some districts (municipalities) and counties in Hebei, Shanxi, and Nei Monggol to investigate pricing following the institution of monopoly control over agricultural supplies. The situation as we understand it is that in the past year or more these provinces and administrative regions have had great success with monopoly control of agricultural supplies. This is apparent specifically in the fact that after monopoly control was put into effect marketing procedures improved considerably, essentially putting an end to deceptive sales of bogus and inferior fertilizers and agricultural chemicals. This conquered the problems of exorbitant pricing and wide price fluctuations on agricultural production materials. However, there are still some weak links in farm supply management, most prominently including the fact that fertilizer and pesticide prices have remained high and even increased further. For instance, four peasants in the village of Xunzhai, in Xunzhai Township, Xinhe County, Hebei told us that a 500 gram package of folimat that cost 7.8 yuan per bottle in 1988 has risen to 20 yuan per bottle today; a 100 gram package of decalmethrin has risen from 3 yuan to 10 yuan per bottle, and a 40 kilogram package of urea has risen from 18 yuan per bag in 1986 to 46 yuan per bag today. Similarly, the head of Bulanggin Nur Township in Dengkou County, Bayannur Meng, Nei Monggol informed us that at the end of 1988, when monopoly control was put into place, the retail price of ammonium phosphate was 35 yuan/bag at par (for a package of 50 kg) or 66 yuan/bag at the negotiated price. In 1989, after monopoly control had been instituted, the composite average price was 74 yuan/bag. Why do high prices continue to plague us after control over agricultural supplies was monopolized? The following causes are primarily to blame.

1. Monopoly control is not really a monopoly: we have closed one door and opened another.

For example, since agricultural pesticides were put under monopoly control in Hebei the supply and marketing cooperative system accounts for approximately 70 percent of the total quantity of agricultural pesticides on the market, while the pesticide plants sell the remaining 30 percent themselves. Simultaneously, with respect to the

agricultural pesticides under monopoly control, only 30 percent of the goods stocked are purchased in accordance with parity price indexes set by planning departments at various levels, whereas 70 percent are purchased independently, at high prices, outside the monopoly plan. From the perspective of production links, there are five established plants producing agricultural pesticides in Hebei, and only 24.7 percent of their output enters planned distribution channels at par for sale to monopoly agricultural supply departments. The remainder is all sold independently at negotiated prices. Thus, even if we bolster supervision over the pricing of pesticides under monopoly management, the overall level of pesticide prices will still be difficult to control. This indicates that our two-track policy in price management and in managing agricultural production materials is the fundamental cause of continued high prices for agricultural supplies.

2. Import channels are in chaos and commodities are going astray.

For example, in 1989 the Xinhe County Agricultural Supply Company in Hebei dealt in agricultural pesticides. In the process, approximately 20 percent of the total quantity of agricultural pesticides Xinhe County brought in that year was distributed, according to plan, by the Xingtai Prefecture Agricultural Supply Company, 75 percent was bought in by other county-level supply and marketing cooperatives and factories, and five percent was "transferred back" to the county at retail prices by some grass-roots level supply and marketing cooperatives. Because the import channels are in chaos, not only did import prices vary, but markups were added at each stage of the process. This is another important reason for the high price of agricultural production materials.

Some people may ask why county agricultural supply companies had to import goods through several different channels after monopoly control was instituted. The key to this issue is that planned distribution was too small and focussed on an undiversified assortment of goods. Local experience verifies that when formulating in advance the next year's plan for agricultural supplies, not only is it difficult to fit the plan to actual circumstances, but, given the fact that overall demand outstrips total supplies, it is also nearly impossible to draft a plan that coordinates with the farming season. As a result, in order to guarantee that agricultural production needs will be met it is impossible to cut out all independent purchasing by the operating sector. The problem lies in the fact that the state has set no uniform upper limit, so policy loopholes have appeared in the management process that allow prices to increase at each level. This is one more cause contributing to inflation in retail prices.

3. Inflation in raw material and energy prices and increases in production costs have stimulated price increases.

When we looked into the Ulashan Chemical Fertilizer Plant in Nei Monggol we found that the prime economic

indicators for the plant between 1984 and 1989 were as follows:

**Table of Production Returns Over the Years at Ulashan Chemical Fertilizer Plant**

Year	Total Personnel	Ammonium Nitrate Produced	Output Value	Profit	Annual Profit Per Person
	(number of people)	(in tons)	(in millions of yuan)	(in millions of yuan)	(in yuan)
1984	2,398	124,003	27.52	6.31	2,631.36
1985	2,440	124,900	27.70	4.35	1,782.79
1986	2,466	125,065	27.87	3.02	1,224.66
1987	2,499	136,000	30.32	7.33	2,933.17
1988	2,753	139,844	31.23	3.27	1,187.80
1989	2,813	138,811	34.41	1.49*	529.68

(\* Note: In 1988 production of a new item, Shangma Urea, required the addition of 200 workers and an investment of 37 million yuan (including 2 million yuan raised by the enterprise itself). After Shangma Urea was introduced interest on loans rose 1.5 million yuan per year and wages increased 360,000 yuan.)

It is obvious from the above table that as total personnel, annual output, and annual output value at this plant increased steadily over several years, gross profits and annual profits per person plummeted. The cause of this perverse phenomenon lies primarily in sharp inflation in the prices of raw materials such as coal, coke, and platinum mesh and electrical power and other energy resources. According to preliminary calculations, energy and raw material costs increased approximately 60 percent from 1984 to 1989, and these costs account for 50.8 percent of the cost of producing ammonium nitrate. That is to say, the increase in raw material and energy costs alone accounts for 30.48 percent of the rise in chemical fertilizer production costs. Aside from this, increases in labor and management costs have also to some extent raised production costs. When production costs rise by a certain degree there is inevitably a corresponding increase in product price. Hence, the price of ammonium nitrate produced by the Ulashan Chemical Fertilizer Plant has increased 40 percent in the past few years. This kind of problem also plagues the Xingtai agricultural chemical plant we investigated. Thus, runaway inflation in energy and raw material costs is the major cause of higher production costs leading to continued high prices for agricultural supplies.

4. When various costs increase the cost of marketing also rises.

According to what a comrade in the Office of Commodity Pricing at the Shanxi Provincial Supply and Marketing Cooperative told us, a 1989 spot check of deficits in the fertilizer business across the province showed the following results: Ammonium nitrate lost an average of 86.60 yuan per ton, phosphate fertilizer lost an average of 49.94 yuan per ton, and urea lost an average of 110 yuan per ton. These deficits were caused primarily because there were steady annual increases in transportation, loading and unloading, management, and interest costs, while the composite operating cost rate was never readjusted and so could not cover operating costs. This problem also persists in Hebei and Nei

Monggol. We believe that persistent increases in the cost of marketing agricultural supplies is also a major objective factor in continuing high prices for agricultural production materials.

In summary, the problem of high prices following the monopolization of agricultural production materials remains to be resolved. In the future we must continue trying to improve in these areas.

#### **Regional Balance Sought in Grain Supply, Demand**

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[PROBLEMS OF AGRICULTURAL ECONOMY]  
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[Article by the Crop Distribution Research Office, Academy of Agricultural Science's Regional Institute: "A Study on the Balance of China's Regional Grain Production and Demand"]

#### **[Text] I. The Issue**

Solving the grain production and demand problem has always been one of China's major political and economic tasks. What are the present conditions and future prospects of the balance between grain production and demand? What is the supply and demand status of the staple grain crops in the provinces, municipalities, and autonomous regions? How do we categorize the regions to truly reflect the characteristics and law of grain production and demand and promote regional balance between production and demand? These are questions of greatest concern to the state's pertinent departments.

The decline in grain production for the past few years in a row has had very serious effects on the relationship between grain production and sales in China. Grain shortage is particularly serious in Fujian, Guangdong, Guangxi, Guizhou, and Yunnan. There has been a sharp increase in the amount of grain they ship in from other regions. This has changed the old pattern of shipping

grain northward from the Changjiang Basin. Southbound grain transfer is surpassing the northbound traffic, which has also brought serious difficulties to grain storage, transport, and balance and has exacerbated the imbalance in China's grain production and demand. The grain shortage and the inadequate supply of feed grain have generated a chain reaction leading to the shortage of meat, eggs, and so on.

There is a spatial imbalance between China's grain production and consumption. Grain production is affected by nature, social demand, habit and other factors; therefore, crop varieties are relatively concentrated. Rice is grown mainly south of the Huihe-Qinlin area and east of the Qinghai-Tibet Plateau. It is concentrated in 12 provinces (autonomous regions)—Hubei, Hunan, Jiangxi, Jiangsu, Zhejiang, Anhui, Guangdong, Guangxi, Fujian, Yunnan, Guizhou, and Sichuan. Together they produced 155.073 million tons of rice in 1985, accounting for 92 percent of the nation's rice production. Wheat is grown mainly north of Changjiang and the Qinghai-Tibet Plateau. It is concentrated in 12 provinces (autonomous regions)—Hebei, Jiangsu, Anhui, Shandong, Henan, Sichuan, Shaanxi, Heilongjiang, Shanxi, Mongolia, Gansu, and Xinjiang. They produced 80.479 million tons of wheat in 1985, accounting for 93.8 percent of the nation's wheat production. Maize is grown mainly in 11 provinces—Liaoning, Jilin, Heilongjiang, Hebei, Shandong, Henan, Sichuan, Jiangsu, Shanxi, Shaanxi, and Yunnan. They produced 53.566 million tons of maize in 1985, accounting for 83.7 percent of the nation's maize production for the year. Soybean is mainly found in the northeast and the Huanghe-Huaihe-Haihe region. Liaoning, Jilin, Heilongjiang, Jiangsu, Anhui, Shandong, Henan produced 7.676 million tons of soybean in 1985, accounting for 73.1 percent of the nation's soybean production. The distribution of different crops is fairly concentrated, so that the supply and demand of the dominant crop within a region may be balanced, or supply may even exceed demand, but there is still a shortage of other crops. As a result, there is supply-demand imbalance for different grains in different regions. In addition, China's grain consumption distribution is also unbalanced. The nation's large- and medium-sized cities and industrial and mining regions have a shortfall; they account for about 66 percent of the total grain shortage. The main cash crop producing regions, pastoral regions, and mountain regions are generally short of grain, but the situation is not serious; they account for 34 percent of the grain shortage nationwide. Such spatial imbalance between the grain production and consumption areas makes grain transfer and allocation inevitable. In recent years, the volume of grain allocation has increased and the scope has broadened. During the Sixth 5-Year Plan period, most provinces (municipalities and autonomous regions) have shipped in or shipped out different amounts of grain.

In view of the situation, how do we smooth the grain production and consumption relationship and promote

the proper regulation and circulation of grain within China has become a major problem that urgently awaits a solution.

#### **Delineating the Production and Sales Regions and Maintaining Regional Balance**

Studies on the changes in China's grain composition and distribution show that the early grain producing regions such as the Sichuan Basin, the Changjiang-Hanshui Plains, the Changjiang Delta and Zhujiang Delta are producing less and less commodity grains. On the other hand, regions which used to be less productive, such as the eastern plains of Henan, northern plains of Jiangsu, northern plains of Anhui, and western plains of Shandong have recently become grain producing bases. These changes have to a large extent changed the spatial distribution of China's grain production.

Using multiple regression, and basing our calculations on national statistics gathered between 1963 and 1985, we analyzed the effects of the production structure, spatial distribution, productivity, and production conditions on China's grain production and established the major determining factors. We also considered China's actual grain consumption level and its rate of increase to forecast the demand for various crops in different provinces in the years 1990 and 2000. By studying the restructuring of the crop producing industry, we were able to forecast the grain seeding area, and using the grey system [forecasting method] and moving averages, we estimated the per mu output based on 1952-1985 statistics and derived the total grain production for each province, municipality, and autonomous region and finally came up with a forecast of the nation's total grain production and demand. It is estimated that China's 1990 grain production is around 428-450 million tons; total demand is around 440-455 million tons. Grain production in the year 2000 will be around 526 million tons and demand will be around 530-600 million tons. There will be a supply gap, and shortage will be a permanent problem.

Reviewing the history and looking ahead into the future of grain production and consumption, we have discovered that there are some relatively stable regions in this country. Based on their grain production and demand situation, the regions can be divided into surplus region, deficient region, and self-sufficient region. On this premise, we analyzed in detail data gathered from 29 provinces, municipalities, and autonomous regions nationwide between 1981 and 1985 and grouped them by crop variety, prefecture and city, and parity and negotiated prices and performed a cluster analysis, using Q-type clusters, range standardization and used Euler's distance coefficient as similar statistics to determine zoning norms. We finally came up with 11 level-one production and sales regions: (1) The grain surplus region of the three northeastern provinces—Liaoning, Jilin, and Heilongjiang; (2) the grain deficient region of the three municipalities—Beijing, Tianjin, and Shanghai; (3) the grain deficient region of the four



northern provinces—Shanxi, Mongolia, Gansu, and Qinghai; (4) the Qi-Lu self-sufficient region—Hebei and Shangdong; (5) the grain surplus region of the six central provinces—Henan, Anhui, Jiangsu, Hunan, Hubei, and Jiangxi; (6) the grain deficient region along the southeast coast—Zhejiang, Fujian, Guangdong, and Guangxi; (7) the Ning-Shaan self-sufficient region—Ningxia and Shaanxi; (viii) the Xinjiang self-sufficient region—Xinjiang; (8) the Sichuan grain surplus region—Sichuan; (9) the Guizhou grain deficient region—Guizhou; (10) the Yun-Zang self-sufficient region—Yunnan and Tibet.

Using the same method and taking the nation's 319 prefectures and cities and three municipalities as basic units, we defined the level-two production and sales regions and established 51 level-two regions (names omitted.) From here we have discovered two laws: One, nationwide there are 138 prefectures and cities with grain surpluses, and they are concentrated mainly in the central provinces and northeastern plains. Rice surplus is concentrated in 48 prefectures and cities; they account for 89.4 percent of the nation's surplus rice. Surplus wheat is concentrated in 39 prefectures and cities; they account for 82.5 percent of the nation's surplus wheat. Soybean surplus is concentrated in 12 prefectures and cities; they account for 74.3 percent of the nation's soybean surplus. Maize surplus is concentrated in 19 prefectures and cities; they account for 79.5 percent of the nation's surplus. These concentrated production regions are the mainstay that supports the country's grain balance. Two, nationwide there are 184 prefectures and cities with grain deficiencies. They are scattered all over the country.

Typically the grain production and sales region is not a closed self-sufficient region but an open area. Thus we derived the concept of regional balance. Regional balance is forging lateral relations between different types of production and sales regions to exchange crops and regulate surpluses and deficiencies, so as to achieve dynamic equilibrium in grain production and consumption. It does not mean making every region self-sufficient with respect to quantity and variety. The latter does not facilitate regionalization and specialization of grain production, nor does it give play to the comparative advantages of different grain producing regions. Related to regional balance is inter-regional grand balance and intra-regional balance. Inter-regional grand balance refers to grain allocation between the level-one production and sales regions. Intra-regional balance refers to the small scale circulation within a level-one region. The former is the primary aspect; the latter is secondary.

#### Modes of Regional Balance

Regional balance of grain production and demand is a complicated issue. It involves the balance between production and consumption and between quantity and variety and so on. To solve China's grain supply-demand problem, we must plant a foothold in this country, develop production, and import a reasonable amount of specific grain. In our study, we put inter-regional grand

balance first and intra-regional balance second to accurately reflect the future direction of China's grain supply and demand. Due to the inter-regional and intra-regional balances, China's grain production and demand regions have developed different modes of balance.

**1. Radiation type—The grain surplus region comprising of the six central provinces which ship grain all over the country.** The central provinces are China's largest rice and wheat producing region. In addition, they are well-developed economically and have good communications systems and are strategically located. From this region grain is shipped to every province and autonomous region nationwide. In the future, this trend will become even more evident. Different grain crops come from different sources. Locally, each province is a small source of radiation with its own pre-determined direction. Overall, the six central provinces make up a large source of radiation that sends rice and wheat to every direction. It is estimated that nationwide 20 provinces (municipalities and autonomous regions) will have a rice shortfall in 1990; 18 of those will get their rice mostly or entirely from this region and 15 will get their wheat from this region. By the year 2000, the number of grain-deficient provinces will drop to 18. All will get their rice from these six central provinces, and nationwide 17 provinces (municipalities and autonomous regions) will get their wheat from this region.

Grain is shipped from this region to provinces (municipalities and autonomous regions) nationwide. Within this region, there is also a certain amount of circulation. Hunan and Jiangxi are short of wheat and must get it from Henan. Except for Jiangxi and Henan which have a small surplus of soybean, the other provinces must get their soybean from Heilongjiang. There is a shortage of maize which must be brought in from the northeast grain surplus region. Only in this way can the region balance the crop varieties.

**2. The two-way flow type—the grain surplus region of the three northeastern provinces transfers in and out large amounts of grain.** The grain surplus region comprising of the three northeastern provinces holds the lead in maize and soybean production, but because the region's staple food is mainly rice and wheat, there is a supply-gap for both, especially wheat. To satisfy the local people's daily needs and the other provinces' demand for maize and soybean, the northeast region transfers in a large amount of wheat and rice and transfers out and exports large amount of maize and soybean, forming a two-way flow type grain movement. Massive transfer in and out of grain not only is necessary but is possible. There is a dense network of railroads which makes transportation very convenient. In addition, Dalian Harbor and Qinhuanggang also facilitate the transfer in and out and the import and export of grain.

It is estimated that by 1990, the net transfer out of soybean from this region will account for more than 70 percent of the soybean shipment around the country. Nationwide, 12 of the 20 provinces (municipalities and

autonomous regions) that are short of soybean will get their soybean from this region, and by the year 2000, 11 of the 19 transfer-in provinces will get their soybean from this region, which is consistent with the situation in 1990. The bulk of the soybean from this region is shipped to the six central provinces and the southeast coastal grain deficient region, with the rest going to Hebei and the three municipalities. The flow of maize is similar to that of soybeans and is shipped mainly to the six central provinces and to the southeastern seaboard. For the years 1990 and 2000, maize supply will be tight nationwide; 19 provinces (municipalities and autonomous regions) will have shortages, and 10 of them will have to transfer in maize from the northeast.

**3. The transitional type—the Sichuan grain surplus region.** Sichuan was one of China's main grain production regions. During the First 5-Year Period, it transferred out 10 percent of its total grain production and was the province with the most surplus rice and wheat. But for various reasons, Sichuan's grain transfer has been decreasing steadily over the years, and during the Sixth 5-Year Period it even had periodic shortages. From another point of view, however, Sichuan's grain production has changed fairly dramatically. It tops the nation in the number of live-hogs slaughtered each year. In 1985, it accounted for nearly 20 percent of all live-hogs slaughtered in the country. In addition, its wine-making industry is also flourishing. Sichuan's wine is sold nationwide. It requires huge amounts of grain to raise hogs and make wine. The pork and wine shipped to every corner of the country represent a certain amount of grain transfer, too.

Sichuan's grain development depends on its increasing input and strengthening the agricultural sector's stamina. Only in this way can the province increase its grain surplus substantially and play a major role in easing the grain supply-demand problem in the southeastern region. As a transitional-type grain surplus region, Sichuan plays a unique role in our regional grain balance. On the one hand, it is transferring out large amounts of processed grain products, shipping them all over the country; on the other hand, it is transferring in a varying amounts of rice, maize, and soybean from other grain surplus regions. Sichuan's surplus is mostly in wheat. It is estimated that it ships out around 200,000 tons of wheat, mostly to Guizhou and Tibet.

**4. The coastal type—the three grain-short municipalities and the grain deficient region along the southeast coast.** The grain shortage in Beijing, Tianjin, and Shanghai is unique. The urban area is expanding and the suburban farming area is shrinking. There is limited arable land which is being used mainly to develop vegetable and other suburban sideline products. Grain production is very limited. In addition, the oversized cities are the main grain consumption markets. As a result, it is inevitable that there is a grain shortage in the three municipalities, and the transfer of grain is a permanent task. The southeast coastal region is short of grain for reasons different from those in the three municipalities.

Historically, there was never a shortage problem in this region; it was more than self-sufficient. It is only in recent years that grain production has stalled and even declined, causing a growing grain shortage problem, and the supply-demand conflict is intensifying.

Although the above two regions are short of grain for different reasons, their sources of grain are very similar. These regions are located near the coast and have easy access to water transport. They are rich and can well afford to have grain shipped in. Thus, they can transfer in grain from grain surplus regions at home or import some grain from the international market. It is estimated that these two regions have a shortfall of more than 13 million tons of grain in 1990 and will need around 18 million tons in the year 2000. They are short not only in terms of quantity but also in variety. Besides importing some wheat, they must transfer in the rest from the grain surplus regions around the country. In the long-run, it is essential that the state guarantees the grain supply to the three municipalities. As for the southeast coastal region, measures must be taken to raise the standard of living, tap potential, and increase self-sufficiency.

**5. The inland type—the grain deficient regions of the four northern provinces (autonomous regions) and Guizhou where natural conditions are harsh.** The grain deficient region made up of the four northern provinces spreads out in the Mongolian Plateau, the loess plateau, and the Qinghai-Tibet Plateau. It is an arid and semi-arid agricultural and pastoral region. Because of the harsh natural conditions, grain yield is low and unstable. It is one of China's poorer regions. Guizhou is situated in southwestern China on top of the Yunnan-Guizhou plateau. It is 90 percent mountainous. There is little flat land, and the soil is poor. In this arid land, 80 percent are hillside farms, with very few paddy fields. Guizhou is inhabited mainly by minority nationalities. Their production technique is backward and cultivation method is extensive, and although there are many different crops, the yield is low and unstable and is far from meeting the province's consumption needs. The region must permanently depend on the transfer in of grain. These two grain deficient regions are located in central and western China. The areas are rich in natural resources and are key developing or soon-to-be developed regions. Thus, the automatic increase in population should not be overlooked. The grain problem will get worse. We must prepare ourselves now. Where conditions allow, we should open up wasteland to increase cultivated area. We should increase input, boost the agricultural sector's stamina, and prevent the grain supply-demand gap from widening.

A characteristic of this type of grain deficient region is that they are short a little of every variety of grain. The two regions together are short about 3.70 million tons of grain in 1990, which is only 28 percent of the coastal region's deficit. By the year 2000, they will be short around 5.6 million tons, 32 percent of the coastal region's deficit. Most of their rice will come from the six central provinces; wheat will also come from the six

central provinces and Sichuan; maize will come most from nearby self-sufficient regions and some from the three northeastern provinces and autonomous regions. In addition, within the grain-deficient regions of the four northern provinces, there is an intra-regional circulation which should not be overlooked. Shanxi and Inner Mongolia exchange soybean, wheat, and maize; Qinghai gets wheat from Gansu. This grain transfer and allocation trend will persist.

**6. The self-sufficient type—the Hebei-Shangdong, Xinjiang, Ningxia-Shaanxi, and Yunnan-Tibet self-sufficient regions.** The four grain self-sufficient regions in China are self-sufficient to different degrees: The Yunnan-Tibet region has a slight deficiency in all types of grains and is a low self-sufficient region. Slightly more grain is produced than consumed in the other three regions. The surpluses are mainly in wheat and maize, and deficiency lies in rice and soybean.

A common characteristic of the grain self-sufficient regions is that they have a large variety of grains and their surplus and deficiency are moderate. Their most important role in the nation's grain balance is in regulating the grain varieties with their neighboring regions. Since they are not major commodity grain producing regions, they do not transfer out a significant amount of grain so far as the country is concerned. Their sufficiency in specific crops fluctuates from year to year. If there is a bumper harvest, they need not transfer in, or transfer in only a small amount of grain; in a lean year, they will have to transfer in some, but not a lot of grain. Overall, these nominal transferring in and out are an important supplement to the main direction and volume of grain flow nationwide. It is estimated that the above four regions will have 1.58 million tons of surplus grain in 1990, and although the Yunnan-Tibet region will have a small deficit, the other three regions will have surplus. By the year 2000, like the grain production-consumption trend nationwide, the amount of surplus grain will decline, with only 450,000 tons of surplus, and besides the Yunnan-Tibet region, the Hebei-Shandong region will also have a shortfall.

#### **Measures for Attaining Production and Demand Equilibrium**

1. The study of regional balance of grain production and demand in China should, besides studying the inter-regional grand balance and intra-regional balance, integrate the grain production and demand situation in different years to determine the proper flow direction, flow volume, and transfer and allocation routes. The flow direction and volume plan can be drawn up according to China's available means of communications and transportation and linear programming can be used to plot the production methods.

2. In striving to balance the grain supply-demand situation in China, we should primarily try to develop domestic production to satisfy demand. We should encourage production, increase the yield, and set up and

reform the grain pricing system and circulation system to promote equilibrium. We should gradually establish open circulation channels under several ownership systems, with the state-run businesses playing the lead role. We must insist on setting up the grain circulation channels by regions according to production, demand conditions, set up a grain transfer cooperation zone, and establish a reasonable profit allowance and distribution relationships.

3. With respect to production development, we should determine the focal point of development and the direction of attack according to the consumption needs and adjust the grain crop composition and distribution to solve the surplus and deficit problem with respect to specific crops and reduce long distance and large volume transfers. South of the Changjiang, we should particularly emphasize the development of maize and other cash crops and utilize high-yield technique to rotate dryland and wetland crops. We should gradually reduce the planting area for rice, and develop maize and other dryland crops, as well as green manure and feed crops. In the northeast, wherever conditions allow, we should develop rice, wheat, and soybean crops, increase the planting area, and strive to increase the per-mu yield. In some regions in northern China where there are two—wheat and maize—crops each year, we should stabilize the wheat crop area, improve irrigation, and plant more wheat [as published]. In particular, we should emphasize the reseedling of maize crop so we can have a summer crop of wheat and an autumn crop of feed to vigorously help develop the animal husbandry industry.

4. Making the correct decision regarding grain import and export is an important measure which can increase our export foreign exchange earning and help us achieve equilibrium at a higher level. Rice is China's dominant crop, but because of poor quality and substandard processing, export has been dwindling. We should focus our resources on solving the rice export problem. Today and for some time to come, we will not be able to meet the demand for wheat. We should continue to export high-priced rice in exchange for low-priced imported wheat to solve the domestic supply-demand balance problem. Soybean is an important source of grain ration and feed protein. Protein is very deficient in China's feed. The animal husbandry industry is inefficient and wasteful. Considering the future of the animal husbandry industry and the shortage of high-grade feed, we should cut back on the export of soybean, especially bean dreges, as much as possible or even stop exporting, so as to maintain domestic balance. Maize is an important source of feed. Except for regulation among the provinces in the few highly concentrated production regions, we should not consider massive export in the long-run, although we can still export a moderate amount prior to the development of the cultivation and processing industries. When possible, we should import maize to develop the animal husbandry industry and export livestock products to increase our foreign exchange earning capacity.

5. Proper distribution of commodity grain bases is an effective measure in the promotion of regional balance. We must plan the distribution in such a way as to balance the surpluses and deficiencies. To satisfy the needs of near-term demand and the development of foreign trade and export, we should set up different types of commodity grain bases. We should integrate the concentrated production regions and the ordinary production regions and distribute the bases to balance the surplus and deficiency of specific crops to ensure balance between production and sales. From now on, the commodity rice production bases should emphasize developing externally oriented and domestic market-oriented, high grade rice to increase export and domestic sales. In the future, we should also put more emphasis on the proper distribution and construction of commodity wheat, soybean, and maize bases.

#### National Hemp Area, Output, Price

40060003E Beijing NONGMIN RIBAO in Chinese  
26 Sep 90 p 2

[Summary] This year the estimated jute and ambary hemp area is 5,095,000 mu, an increase of 222,000 mu over 1989; estimated gross output is 765,000 tons, a 6.4-percent increase; and 632,000 tons will be procured, a 4.5-percent increase. This year the average procurement price will increase from 1,517 yuan per ton in 1989 to 1,600 yuan per ton. The estimated ramie area is 1,590,000 mu, a 23.4-percent decline from 1989; estimated gross output is 139,000 tons, a 19.7-percent decline; and 73,000 tons will be procured, a 24.2-percent decline. This year the procurement price will vary from 110-120 yuan per 50 kilograms for higher grades and 90-100 yuan per 50 kilograms for lower grades.

#### Cotton, Wheat Procurement Prices

40060004B Shijiazhuang HEBEI RIBAO in Chinese  
22 Sep 90 p 1

[Summary] The state procurement price for ginned cotton is 6.80 yuan per kilogram and the procurement price for wheat is 0.76 yuan per kilogram.

#### Government Acts To Improve Tea-Oil Output in South

OW1410135790 Beijing XINHUA in English  
1311 GMT 14 Oct 90

[Text] Changsha, October 14 (XINHUA)—The Chinese Government is to invest 30 million yuan in the coming three years to raise the output of tea-oil trees on 66,000 ha in seven southern China provinces.

These seven provinces are Hunan, Jiangxi, Guangdong, Guangxi, Zhejiang, Fujian and Hubei, where the average tea-oil output is only two kilograms per mu (15 mu equal one ha).

The output is expected to rise to 10 to 12.5 kilograms per mu through 12 technical improvement measures including introduction of new breeds and betterment of irrigation conditions.

The whole project is believed to be profitable in five years.

#### Beijing Vegetable Production, Subsidies

90CE0317A Beijing ZHONGGUO NONGCUN JINGJI [CHINA'S RURAL ECONOMY] in Chinese No 6,  
20 Jun 90 pp 55-58

[Article by Shi Wei (0670 3555): "Research on the Relationship Between Vegetable Production and Vegetable Subsidies in Beijing Municipality"]

[Text] I. Current Vegetable Production and Subsidies in Beijing Municipality

##### 1. Vegetable Production

Vegetable production in Beijing Municipality is an important part of the effort to build up and develop the nonstaple foodstuff production base in the outlying areas of the city. Since the founding of the republic, vegetable production has been concentrated mainly in the Chaoyang, Haidian, Fengtai, and Shijingshan districts. In recent years it has begun to expand to districts lying further out, and the pace of development has been relatively quick.

Since 1981, various forms of agricultural production responsibility systems have been implemented, including linking output quotas to each group, linking output quotas to each household, and contracting output quotas to each household. From an overall perspective, the enthusiasm of vegetable farmers for production has been somewhat stimulated since the contract responsibility system was implemented for vegetable production. After autonomy over vegetable production and production risks were handed over to contractors, the great numbers of contractors readjusted their planting structure, strengthened management of their vegetable fields, and increased the variety of vegetables they planted in response to market demand. However, the state continued to exercise a monopoly over procurement and marketing at that time, so even though vegetable farmers had a certain amount of autonomy, the state still had complete control over planting plans, selection of vegetable varieties, and procurement prices. The result is that vegetable farmers had to risk the possibility of increasing production without increasing income. For this reason, conflicts between the production and marketing links become more and more pronounced.

The vegetable production and marketing system was readjusted in 1985. In that same year, the old state monopoly over procurement and marketing, exclusive operations by a single firm, and the closed markets were brought to an end. After these developments, vegetable



farmers dropped their former total reliance on a compulsory plan in arranging production, as well as their single-minded pursuit of quantity and total disregard for quality. They have started to collect information, set production on the basis of sales, and arranged to sell them on the market. The variety of vegetables on the market has been greatly increased, and vegetables on the market, which used to be "tough, big, and wilted," became "young, fresh, and tender." Where 60-70 percent had been edible before, this figure now rose to 80-90 percent. The amount of throwaways and rotten vegetables was markedly reduced.

The raising of vegetable farmer incomes no longer depends on increasing the area of land planted with vegetables; rather, it depends on vegetable prices. Particularly since the state monopoly over procurement and marketing has been brought to an end, vegetable prices and the variety of vegetables have become the main factors determining whether vegetable farmers can raise their incomes.

## 2. Vegetable Subsidies

Vegetable production subsidies are an important part of the fiscal subsidies for vegetables. They are used by the state to encourage vegetable production, stimulate the building up of vegetable fields, and support vegetable prices. They can basically be divided into two categories. One is direct subsidies, which are subsidies within the state plan. The other is indirect subsidies, which are primarily subsidies outside the fiscal plan or ad-hoc subsidies for a particular purpose. The channels by which subsidies are delivered can be divided into three categories. One is direct appropriations by fiscal policy, such as production and service subsidies. Another type of subsidy is dispensed via state-run stores. Examples are subsidies for increased vegetable production costs; price support subsidies; and subsidized produce for labor. In recent years, Beijing Municipality has given roughly 60 to 70 million yuan in subsidies every year either directly or indirectly to vegetable production.

### Conflicts Faced by Vegetable Production and Subsidies

#### 1. The regulatory effect of fiscal subsidies for vegetables on vegetable production and prices is growing ever weaker.

Since the 1950's, the state has been using vegetable subsidies in a planned manner to regulate relationships between various different interest entities. The focus of these subsidies has been on the circulation link rather than the production link, which has caused the regulatory and supportive effect of vegetable subsidies upon vegetable production and prices to grow constantly weaker. Let us take 1988 as an example. Beijing Municipality spent a total of 230 million yuan in fiscal subsidies for vegetable production and marketing, of which commercial subsidies accounted for 172 million (74.8 percent), direct subsidies to peasants accounted for 31.67 million yuan (13.76 percent), and indirect subsidies accounted for 25.5 million yuan (11.08 percent). Even if the peasant support funds (which are part of the

commercial subsidies) are calculated as production subsidies, the ratio of commercial subsidies to production subsidies is still 2.7 percent to 1.

Since 1985, peasants have been able to sell noncontract vegetables on the market because of the lifting of the state monopoly over procurement and marketing, and because of the implementation of the system of contracted production and marketing of vegetables. This has made vegetable producers deal with a dual track system in which there are two types of systems (the state plan, in which production and marketing within the contract is planned; and the market, in which noncontract vegetables are sold directly by peasants), and two types of prices (prices set by production and marketing contracts, and prices set on the market). Because market prices for noncontract vegetables are far higher than procurement prices in a production and marketing contract, vegetable farmers still prefer to sell vegetables on the market even with vegetable production subsidies.

In a random survey of peasants on the outskirts of Beijing, we discovered that if a peasant household (these calculations are based upon average levels of production and income) growing vegetables sold all of its vegetables to state-run stores (assuming procurement prices equal to those paid by state-run stores in 1988 on the outskirts of Beijing for vegetables; we have used a weighted average for the whole year), average income from one mou of land planted with vegetables would have been about 980 yuan for the year. Adding production subsidies (note: production subsidies were not actually given directly to vegetable farmers) and state-price grain and coal worth 250 yuan, average income per mou would still be only 1,230 yuan. In reality, average income per mou of vegetable land in the households we visited was 2,236 yuan, a difference of 1,006 yuan. This is because the average price of vegetables sold by peasants on agricultural markets is far higher than procurement prices paid by state-run stores. In fact, average prices on the market are twice as high. Therefore, even with vegetable production subsidies to regulate and support prices, vegetable farmers still choose to sell their products on the market. Because the two prices exist simultaneously, the regulatory effect of vegetable production subsidies upon prices has become negligible.

#### II. The question of the relative economic benefit of vegetable production vis-a-vis other lines of production is the key issue in the current effort to stabilize vegetable production and to make rational use of vegetable production subsidies.

1. *The "scissors differential" between prices for industrial and agricultural products has been progressively narrowed in recent years, but internal structure is still irrational, which has caused the imbalance between industry and agriculture to turn into an imbalance between commerce and agriculture even as the relative economic benefit from growing vegetables has risen.*

The price differential between vegetables and industrial consumer goods has, overall, been narrowing since 1975. This is good, but we must also make internal relationships between vegetable prices at various links (e.g.—production, wholesale, and retail) more rational, otherwise, we may get just the opposite of what we had hoped to achieve by changing price ratios. This point can be further analyzed.

In order to narrow the gap of price ratios in a rational manner, our actions must, in theory, meet the following requirements:

First, when vegetable subsidies are rising while the volume of production and marketing is not, the price of vegetables should rise at a rate that is slower than or equal to the rate at which procurement prices are rising, otherwise rising vegetable prices would signify that the effectiveness of subsidies was falling.

Second, we should work to assure that the supply of vegetables meets demand and to bring relations between vegetable procurement and marketing prices into balance at the same time we narrow the gap between prices for vegetables and other items of daily consumption.

However, the reality is that vegetable subsidies have risen and supply capacity has fallen while retail prices have risen at a quicker rate than have procurement prices. This has led to a situation in which, after the longstanding "scissors gap" between industrial and agricultural incomes was reduced it was replaced by an imbalance between agriculture and commerce due to the irrational internal price relations between the production, supply, and marketing links. Furthermore, this latter imbalance is growing increasingly worse. The fundamental reason for this is that the motive force propelling the readjustment of vegetable prices has shifted. Although the object of the 1985 vegetable price readjustment was to bring price relations into balance, the fact that reform of the circulation sector continually wavered between clamping down and freeing up prices led to sharp price rises when prices were freed up, and prices were stifled completely during each clampdown. Each time prices were again freed up, not only did the old imbalances continue to exist, but new, more pronounced ones appeared. A critical juncture was reached in 1985. At that time, retail vegetable prices began to rise at a rate faster than procurement prices were rising, but fiscal subsidies did not for this reason decrease, so irrational price relations within the commercial sector remained unchanged. Thus, the rate of wholesale vegetable price rises between 10 May 1985 and the end of the year was ten percentage points lower than the rate of retail price rises. Therefore it is difficult to say that the reduced gap between the prices of vegetables and other commodities was rational; it could even be considered a new distortion produced in the course of efforts to change a previous form of distorted price relations.

2. *Though the impact of rising prices for agricultural means of production upon incomes for vegetable farmers*

*has been somewhat mitigated by rising vegetable prices and falling material inputs, the unstable factors in the production process thereby engendered are growing ever more pronounced.*

1) A large proportion of the labor power needed for vegetable planting has migrated out, leaving a serious labor shortage. Hired labor now accounts, respectively, for 50 percent and 37 percent of all vegetable field labor in fields outside Siji Village and Dongsheng Village in Haidian District.

2) Vegetable farmers have reduced or ceased the large production inputs they had made during the early contract period. Instead, they have begun to do business with a plunderer's mentality, and the fertility of vegetable fields has dropped off sharply.

3) It is now unlikely that simple policies aimed at encouraging production will have any effect. In the past, for example, vegetable plot contractors had to pay a certain land use fee to their production team or brigade. Now, some villages and teams have eliminated land use fees, but vegetable farmers are still unwilling to plant vegetables. Some teams have even offered to do away not only with land use fees but with fees for water and electricity, and to give bonuses, on one condition—that the peasants plant vegetables. However, the enthusiasm of vegetable farmers for planting vegetables has still not been brought into play.

4) In order to encourage vegetable farmers to plant good vegetables and to reduce the risks within the term of the contract, the government began in 1989 to set contracts by the season or by the month instead of, as before, by the year. Thus, a long-term plan (annual) and short-term arrangement (by field or by month) are carried out to adjust market vegetable procurement and marketing contracts, and procurement support prices are being written into contracts. Even so, vegetable farmers are still unwilling to plant vegetables, and the area of unused vegetable fields increased steadily throughout 1988.

3. *Since the evolution from unified marketing to free marketing back to a combination of unified and free marketing, the market risks borne by vegetable farmers have been far lower than those borne by producers of livestock and other products. This could be considered an important indication that the relative economic benefits from vegetable production in recent years have risen.*

The vegetable circulation system reform of 10 May 1985 basically led to the formation of a dual track system composed of two markets (the state-run market and the agricultural trade market), two types of prices (planned prices and market prices), and two mechanisms (the administrative mechanism and the market mechanism).

The dual track system for vegetable production and marketing basically lowered the market risks associated with the production of vegetable farmers to the lowest possible level. Even when procurement prices for vegetables called for in contract procurement quotas were set

once per year, once the prices were set, the market risks were basically passed on to state-run stores; furthermore, vegetable farmers could still readjust planting structure to a certain extent in order to take as many of their vegetables as possible and sell them at higher prices on the market before the term of the contract began. Although the types of products sold to the state during the term of the contract are no different than those sold earlier, the quality is not as high. In recent years, the increased quantity of vegetables planted in greenhouses has decreased the seasonal nature of vegetables on the market and has led to a more even distribution of products. This has enabled vegetable farmers to take advantage of the time lag between the actual production date and the date at which contracts call for them to sell their products to the state to 1) reap the benefit of the price support offered by state procurement contracts, and 2) to sell their products directly on the market at the best time. For example, in recent years agricultural trade markets have often had vegetables not to be found in state-run stores, and by the time state-run stores have begun to sell a certain vegetable, sales of that vegetable have either come to a close on the agricultural trade market, or prices on the agricultural trade market have sometimes dropped sharply (when state-run stores have nothing to sell, most are high-priced vegetables), thereby crowding in upon the markets of state-run stores by offering low prices.

The low market risk currently afforded by the dual track system enables the relative economic benefit gained by vegetable farmers to offset the losses caused by rising prices for the means of production. This is the key reason why the loss of labor power, decreasing inputs, and falling area of land planted with vegetables has not caused lowered income from vegetable production on the outskirts of Beijing to the point where it would be insufficient to cover expenditures.

Let us examine the issue in terms of relative overall economic benefits enjoyed in various industries in Beijing's rural districts. Our random survey of peasant households in Fengtai district indicates that annual income for every person working in a vegetable field is now 3,778 yuan. Subtracting various expenses, net annual income is 2,574, or 214.5 yuan per month, which is higher than the average monthly income of workers and staff in various industries in Beijing's urban districts, and it is higher than income in the great majority of rural enterprises and other occupations which involve the raising of crops or livestock.

The raising of the relative economic benefit from growing vegetables has provided conditions very favorable for the readjustment and reform of the way in which vegetable subsidies are dispensed. These conditions were favorable in two ways:

First, they facilitate a switch to giving subsidies to the production link (in the form of technological inputs, upgrading of vegetable field infrastructure, etc.) instead of to the commercial link.

Second, the raising of relative economic benefits will lower market risks while the subsidy policy is readjusted.

### Hebei Soil Improvement Project Passes Appraisal

OW1910090090 Beijing XINHUA in English  
0805 GMT 19 Oct 90

[Text] Shijiazhuang, October 19 (XINHUA)—An agricultural improvement project using a loan from the International Agricultural Development Foundation (IADF) to tackle saline-alkali soil in Nanpi County, in north China's Hebei Province, has been completed and passed official appraisal.

This is the first loan offered by the IADF to China for agricultural development, and the World Food Program provided food aid.

The project involves 81 villages of 8 townships in a total area of 236 square kilometres and a cultivated area of 13,000 hectares. The total investment is 52.1 million yuan (11 million U.S. dollars).

The project has greatly improved local agricultural facilities.

Now saline-alkali land has been reduced from 6,933 to 1,867 hectares, and more 2,800 hectares of saline wasteland has been brought back to life. [sentence as received] In addition, the irrigated area has been increased from 5,467 to 11,600 hectares.

Above all, 5,333 hectares of shelterbelt has been built with more than 200,000 trees, and grassland expanded to 2,667 hectares.

### World Bank To Aid Hebei Agriculture

OW1610192990 Beijing XINHUA in English  
1443 GMT 16 Oct 90

[Text] Shijiazhuang, October 16 (XINHUA)—Northern China's Hebei Province has decided to use a loan of 150 million U.S. dollars provided by the World Bank this year to develop agricultural projects.

Most of the loan will be used to comprehensively develop agricultural projects in the Heilonggang area and in the coastal areas of Qinhuangdao and Tangshan, covering 53 counties with a total area of 3.958 million ha.

The main projects will involve transforming farmland, developing rice fields, seed improvement, setting up agricultural machinery stations and power stations, and increasing agricultural productivity and marketability.

The loan will be repaid in 15 years.

**Hebei Livestock Output**

40060004A Shijiazhuang HEBEI RIBAO in Chinese  
30 Sep 90 p 1

[Summary] According to statistics at the end of August, the number of hogs in stock in Hebei Province was 13,560,000; chickens, 120 million; and cows, 2,040,000; increases of 0.2 percent, 7.88 percent, and 1.06 percent, respectively, over the same period in 1989. Output of meat was 858,000 tons; of eggs, 333,000 tons; and of milk, 97,000 tons; increases of 23.16 percent, 4.97 percent, and 8.96 percent, respectively, over the same period in 1989.

**Heilongjiang Sets Up Produce Export Bases**

40060004D Harbin HEILONGJIANG RIBAO  
in Chinese 17 Sep 90 p 1

[Summary] The China Agriculture Development Trust and Investment Corporation and Suifenhe City, Tongjiang City, and Dongning County, Heilongjiang will jointly operate three produce export bases. The two cities and county have exported a large quantity of produce to the Soviet Union over the past few years. To develop border trade, the China Agriculture Development Trust and Investment Corporation and the two cities and county will jointly invest 7,100,000 yuan to set up the Huasui, Huajiang and Huaning Produce Development Companies. These three companies have 845 mu of vegetable plots, 7,000 square meters of greenhouses and 23,000 square meters of sheds. The estimated annual produce output is 3.5 million kilograms, most will be exported to the Soviet Union.

**Rice Production Up in Heilongjiang**

OW1910024590 Beijing XINHUA in English  
0752 GMT 18 Oct 90

[Text] Harbin, October 18 (XINHUA)—In the past, maize, wheat and soy bean were the main crops in northeast China's Heilongjiang Province, now the area can also grow large areas of rice.

Rice production now accounts for 20 percent of the total grain production in the province, according to the provincial agriculture department.

The areas devoted to rice production have increased greatly, from 220,000 hectares in 1981 to 866,000 hectares in 1990.

In the past farmers were reluctant to grow rice because of low temperatures and low per unit output.

In 1981, scientists and technicians solved the problem by covering the rice-seedling fields with plastic film. The method allowed farmers to remove the film when the weather was warm, and harvest the rice before the frost period in middle of September.

Before, Heilongjiang was forced to purchase 100 million kilograms of rice annually from south China, but now

the province is able to sell over 15 million kilograms of rice to other parts of the country.

Growing rice also makes good use of the low-lands in the province, and helps the farmers to better their standard of living.

**Wheat Procurement Funds Low in Heilongjiang**

40060003A Harbin HEILONGJIANG RIBAO  
in Chinese 5 Aug 90 p 1

[Summary] This year there is a large shortage of funds for wheat procurement in Heilongjiang Province. To solve this problem, specialized banks will stop collecting loans from grain enterprises and will use other deposits for wheat procurement.

**Henan Counties Lack Procurement Funds**

40060004E Zhengzhou HENAN RIBAO in Chinese  
20 Sep 90 p 3

[Summary] On 2 July, the Henan Price Bureau, Grain Bureau and Agricultural Department issued a notice on 1990 guidance prices for negotiated purchases of wheat. The lowest guaranteed price for medium grade wheat in Zhumadian Prefecture was set at 0.84 yuan per kilogram. However, a recent investigation of markets in Zhengyang County revealed that the highest price for negotiated purchases of wheat was 0.78 yuan per kilogram and the lowest procurement price was 0.58 yuan per kilogram. The cost to produce one kilogram of wheat in Zhengyang County is 0.62 yuan, thus farmers lose money selling grain. In addition, due to a lack of funds and limited storage capacity, grain departments have stopped procuring grain.

**Hubei Rice Storage**

40060003D Wuhan HUBEI RIBAO in Chinese  
21 Sep 90 p 1

[Summary] As of 15 September, Hubei Province had put 1.839 billion kilograms of early rice in storage, an increase of 264 million kilograms over the same period in 1989.

**Hybrid Rice Area in Hunan**

40060003C Changsha HUNAN RIBAO in Chinese  
18 Sep 90 p 1

[Summary] This year the total hybrid rice area in Hunan Province is 37,870,000 mu. The area sown to early hybrid rice was 5,850,000 mu, and the per mu yield was 440 kilograms, an increase of 65.1 kilograms over normal rice. The area sown to hybrid seeds was 550,000 mu; the per mu yield was 170 kilograms, and gross output exceeded 90 million kilograms.



### **Hunan Tea Exports**

40060003B Changsha HUNAN RIBAO in Chinese  
24 Sep 90 p 2

[Summary] From January to 24 September, Hunan Province exported over 1,000 tons of brick tea and earned over \$2 million in foreign exchange.

### **New Grain Banks To Ease Hunan Marketing Problems**

90CE0414A Beijing NONGMIN RIBAO in Chinese  
24 Jul 90 p 2

[Dispatch by Zhou Xuzhou (0719 2485 3166): "Hunan Establishes 'Grain Banks' in Major Grain Producing Districts To Resolve Peasant Grain Marketing Problems"]

[Text] Due to funding and granary shortages, the market slump, and assorted other factors, grain marketing problems have cropped up in varying degrees in some staple grain producing regions. Hunan granaries are overflowing with nearly 10 billion jin of grain, and peasants are holding an additional 1 billion jin of surplus grain. To deal with this situation Yiyang, Changde, Yueyang, and other staple grain producing districts have begun work to set up and promote "grain banks." In Changde and Yiyang alone, more than 250 grain banks have been organized, storing for peasant families over 62.50 million jin of paddy—the equivalent of 55 million jin of grain or 48 million jin of processed grain. With grain department involvement, local governments coordinate and organize these "grain banks," and, supported by grain distribution centers and grain processing units, establish networks in townships and lease idle buildings for grain storehouses. There, they launch grain storage, exchange, negotiated procurement, and regulation efforts. When peasants go to these "grain banks" they can exchange paddy for husked rice, nonstaple foods, and fodder grain; store it; or buy and sell it at negotiated prices. Peasant households that store grain are issued a storage certificate that can be presented at local "grain banks" or network service outlets at any time to withdraw grain as needed. These "grain banks" also conform to the principles of surplus and deficit regulation and minimal profit earnings. They buy surplus grain from farmers at negotiated prices based on the market and make adjustments as appropriate by selling to households with a grain deficit.

For peasants, these "grain banks" have resolved problems of poor management and home grain storage. They have also opened and stimulated the grain market and to some extent regulated and alleviated grain-selling problems in staple grain-producing regions. They have been well received by the peasantry.

### **Hunan Develops Agriculture With Foreign Funds**

OW1710195190 Beijing XINHUA in English  
1312 GMT 17 Oct 90

[Text] Changsha, October 17 (XINHUA)—Central China's Hunan Province has used foreign funds to import advanced equipment and technology in efforts to modernize local agriculture, according to Xiong Binkun, an official from the provincial agricultural department.

Xiong said that in recent years, the province has set up eight projects involving about 80 million U.S. dollars. In addition, the province has invested over 161.8 million U.S. dollars to set up five complete plants, including equipment, and to purchase other technological items.

The province used 570 million yuan, from a World Bank loan of 45 million U.S. dollars, to develop agricultural projects—including fisheries, poultry breeding, and planting fruit orchards—in 12 counties covering 18,582 ha.

Most of the projects have produced good economic returns. Last years total production volume for the Nanshan grazing land—a Sino-Australian cooperative project, have reached five million yuan, a figure 5.85 times higher than in 1980. The project had a 1989 profit volume of 350,000 yuan, 2.86 times higher than 1980.

The official said, the provincial authorities will pay more attention to improving the conditions for investment in order to attract increasing numbers of foreign investors.

### **Shaanxi To Sow More Winter Wheat by Machine**

OW1510081790 Beijing XINHUA in English  
0701 GMT 15 Oct 90

[Text] Xian, October 15 (XINHUA)—Instead of sowing winter wheat just by hand, farmers in northwest China's Shaanxi Province are employing over 200,000 farm machines this autumn to accomplish the work.

A provincial official in charge of farm machinery said here today that the province is equipped with 238,600 tractors, up 200 percent over 1978, a year just before the national reform began. There are also 400,000 other farm machines and instruments.

Last year the province machine-seeded winter wheat on 870,000 hectares, accounting for 51.6 percent of the province's total farmland devoted to wheat.

To make full use of farm machinery and reduce manual labor, the province has overhauled and turned out at least 10 percent more machinery than last year to help farmers this year.

**Sichuan Cotton Area**

40060004C Chengdu *SICHUAN RIBAO* in Chinese  
17 Sep 90 p 1

[Summary] This year the cotton area in Sichuan Province is 1,760,000 mu, an increase of 200,000 mu over 1989.

**Tianjin's Sino-French Winery Marks 10th Anniversary**

OW1310151290 Beijing *XINHUA* in English  
1249 GMT 13 Oct 90

[Text] Tianjin, October 13 (XINHUA)—Production at the Sino-French Joint Wine Co. Ltd in Tianjin has reached 1.2 million bottles of wine from 100,000 bottles in 1980.

The winery, jointly managed by Remy Martin (Far East) Ltd of France and the Tianjin Vineyard, was set up October 8, 1980.

With initial investment of 1.376 million yuan, the winery now has capital totalling 8.429 million yuan and produces eight kinds of dynasty dry white wine.

The winery, which has contributed 8.275 million yuan to the state in taxes, has earned 6.17 million U.S. dollars in the past ten years.

Dynasty wines have won nine international gold medals and seven national gold medals.

The winery has extended its contract from 11 years to 21 years.

**Improvement of Yunnan's Cattle Breeds Urged**

90CE0514B Kunming *YUNNAN RIBAO* in Chinese  
11 Aug 90 p 2

[Article by Zhang Mingchang (728 2494 2490): "Yunnan Must Quicken Steps To Raise Better Breeds of Cattle"]

[Text] Yunnan Province has a stock of more than 4 million heads of cattle, ranking second in the nation, but only four percent are ready for slaughtering, which is below the nation's nine percent average. In 1989, only 320,000 heads of beef cattle were slaughtered, yielding 2,268 tons of beef, averaging 86.5 kilograms a head. There is a serious problem with the shortage of commodity cattle despite the size of the herd. This is mainly because Yunnan has not paid much attention to breed improvement, which has led to serious degeneration: The cattle are smaller, they take longer to grow to maturity, and they have less meat. Thus, quickening the pace of breed improvement to increase the yield and raise the slaughter rate is the key link in developing Yunnan's cattle production.

Cattle are plant-eating animals. Yunnan has 224 million mu of grassland, which makes up 39 percent of the province's total area. Of that amount, 171 million mu is

effective area which supports 3,200 varieties of fodder-type plants, more than 800 varieties are common forage grass. This is very much to Yunnan's advantage in developing cattle production. We can accelerate breed improvement without increasing the size of the herd: First, hybridization alone to improve the breed can raise the slaughter rate by nearly 15 percent. That is, the province can send 600,000 heads of cattle to the slaughter each year, and at 150 kilograms of beef per head, the supply of beef as a percentage of the province's total meat production will be increased from four percent to 12 percent. If we make a further effort, and without increasing the size of the herd, the slaughter rate can be increased by nearly 25 percent, sending a million heads a year to the slaughter and producing 250,000 tons of beef. By then, beef will account for around 21 percent of the province's total meat production.

But Yunnan's effort to improve the cattle breeds is causing much concern. Yunnan has several breeds of cattle: Native small oxen, Wenshan Summit oxen, Zhaotong oxen, and Simaoliu oxen. Non-native breeds include "Huangleihui" beef cattle and "Xindihong," "Fuhaitie," and "Duanjue," which are draft animals as well as meat producers. Based on information provided by the Livestock Frozen Sperm Station, since 1976, the station has processed more than 1.5 million sperm specimens from bulls kept for breeding, and it is estimated that after 14 years, only about 160,000 heads of improved-breed cattle have been produced. In 1984, there were 167 breed-improvement stations (points) in 48 counties and cities and 8 state-run ranches in Yunnan. By 1989, data showed that only 116 stations (points) were left, and the number is still declining. This demonstrates that not only has the breed-improvement effort made little progress, but it is actually losing ground. Survey showed that the main reasons for the failure are: (1) Since 1984, funding for cattle improvement projects has been a problem. The frozen sperm stations no longer provide free sperms as a service but are charging half-price. (2) Many managing departments are focusing on hybridizing and improving hog breeds and are neglecting cattle. There is no centralized program to improve native breeds of cattle, and funding for the improvement projects is uncertain. (3) Workers in the improvement stations (points) responsible for handling artificial insemination are subject to frequent transfers, resulting in a decline in technical standard, and the conception rate from the artificial insemination is low, which greatly dampens the people's enthusiasm for breed improvement. (4) Some cattle-raising households know very little about commodities. To them, oxen are just good for ploughing the fields and collecting manure, and the old and disabled ones provide a source of meat. They never think of cattle as a commodity, and therefore they never worry about efficiency or breed improvement. They depend mainly on natural propagation, and as a result, the breed has gradually degenerated. Thus, if Yunnan fails to improve the breeds, the cattle industry will not see significant recovery.

Although, for the province as a whole progress has been slow in improving the cattle breeds in recent years, some localities have accumulated valuable experiences and have done very well. The Provincial Beef Cattle and Forage Grass Research Center has been experimenting with crossbreeding "Huangleihui," a beef cattle not native to Yunnan, and native oxen and has found that by putting the new breed out to pasture 24 hours a day, the improved, hybrid native oxen can grow to 450 kilograms by two and one-half years old, with the largest weighing as much as 470 kilograms. They are better able to withstand heat and tend to mature faster. The slaughter rate is as high as 25 percent. In recent years, using frozen sperms supplied by the Provincial Livestock Frozen Sperm Station, Zhaotong Prefecture has crossbred native oxen with "Fuhaita," "Duanjue," and "Xindihong," three breeds which are both draft animals and meat providers. The improved breeds weigh between 42.4 percent and 45 percent more, are a better worker, can carry heavier loads, and yield more, and better-tasting meat than the native oxen. Moreover, they are more disease-resistant, will tolerate coarse fodder, thrive on large amounts of coarse forage, and are more adaptable.

Some localities already have a solid foundation in improving the cattle breeds and have been quite successful, and if the province as a whole wants to accelerate the rate of breed improvement, first, it must publicize the importance of breed improvement, help the people develop a new concept, increase their awareness about commodities, and encourage the masses to accept artificial insemination as the way to improve the cattle breed. Second, it must amplify the service system and work as hard to improve the cattle breeds as it has worked on improving the breeds of hogs. It should improve organization, provide technical services, make funds available for breed improvement, and implement sound measures. Third, it should set up model households, small model zones, and model ranches to let the people see for themselves the results of hybridization and breed improvement and encourage them to raise cattle and improve breeds. Fourth, it should build more beef cattle bases and support and help develop the specialized cattle-raising households and priority households. It should give play to the exemplary role of the base counties and the specialized and priority households. By adhering steadfastly to these steps, after a period of solid, hard work, Yunnan's breed improvement and cattle production will make a breakthrough.

### Intellectuals Seen Contributing to Own Destruction

90CM0410A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 154, Aug 90 pp 89-91

[Article by Liu Xiaobo (0491 2556 3134): "Contemporary Chinese Intellectuals and Politics, Part XI"; Part X was published in JPRS-CAR-90-067, 31 Aug 90 pp 64-67]

[Text] *So long as the autocratic system that dominates everything does not change, the most noble and purest moral self-cultivation will be unable to change the intellectuals' destiny of dependence on others. Consequently, there is only one way out for them, and that is resistance.*

(Continued from issue No. 153)

Once their hopes were shattered, Chinese intellectuals were no longer able to become academically independent, nor could they be above the pursuit of material gain. Instead they turned toward the self-rewards of an ethical character, and toward a lifelong path of being "worldly wise and playing it safe." This moral pursuit of "virtuous personal conduct no matter the behavior of others" still devolved into matters having to do with personal benefit at two levels. First, Chinese maintenance of a tradition of the oneness of government administration and moral principles enabled the "attention to one's own virtuous personal conduct no matter the behavior of others" to become another name for resistance to muddle-headed monarchs and corrupt officials. This resistance was a **strengthening rather than a weakening of the rule of man in politics**. The relationship between people in which blood ties were paramount was converted through a socialization process into a political hierarchical system whereby "ruling the family" was preparation for "ruling the country." Through a socialization process, the pursuit of personal character above all as a value was transformed into autocracy in which government administration was above everything—the vesting of moral character with authority. Self-cultivation became a preparation for "pacifying the empire." Virtue was government administration, and government administration was virtue. The use of knowledge to serve the self-cultivation of virtue, and the use of knowledge to serve political power held similar significance in China. Everyone who emerged from a time of anarchy and disorder prepared to use his "virtuous personal conduct" as capital in welcoming the arrival of the coming prosperous age and in greeting the ascent of an enlightened ruler whom he could serve. Therefore "virtuous personal conduct no matter the behavior of others" was really "keeping to oneself without keeping to oneself." It was just a link in the operation of the huge machine of government administration that was China. In particular, those intellectuals who helped great power in the past were extremely well aware that their every movement would have special political significance after they left the political forum. In their heart of hearts, this category of intellectuals was

actually "in retirement but not retired." They still longed to gain a fine name for political purity from their virtuous personal conduct. Therefore, even though retired from government administration, when Chinese intellectuals concentrated on the self-cultivation of their personal character, they still did not have any independent academic integrity or religious feeling.

Second, the "virtuous personal conduct" that Chinese intellectuals pursued was manifested as a so-called Zhuang Zi-like, profound, and completely personally aware scholar possessed of an unprincipled and unconditional "lifelong philosophy" in which social instincts were extinguished, the pursuit of all social values was abandoned, and there was no further concern with distinguishing right from wrong. Everything was for the purpose of preserving one's personal life and not to be further disturbed by the hardships of the world around them. It was making oneself into a stone "able to survive an allotted life span." This trend of thought began in the final years of the Eastern Han dynasty, reached full flower during the six dynasties extending from the Wei to the Jin, and was augmented at the end of the Tang, during the Sung, and the Ming with infusions from Zen Buddhism to become a "lifelong philosophy" that Chinese intellectuals maintained. "Pursuit of a long physical life while extinguishing the pursuit of spiritual values" was actually quite the same as not distinguishing between right and wrong politically, but rather subordinating everything to success or failure in that they were for the purpose of gain. Political gain was first, of course, because it meant power, and also "included the enjoyment of certain political perquisites." Although material gain was second, when it could not be obtained, one had no choice but to do without it. Thus, those who did not attain power made the safeguarding of their own life the matter of first importance. For Chinese intellectuals, not only did music, chess, books, painting, and poetry help attain long life, but traveling from place to place enjoying the beauties of nature, sexual intercourse at home, and carousing with prostitutes were also very effective in prolonging long life. Is this not demonstrated in the ancient Chinese sexual literary work titled *Jou Pu Tuan* [one English translation of which is *The Before-Midnight Scholar*], which describes sexual intercourse as a technique for maintaining long life? In this book's appendix, which is titled "Ten Love-Making Techniques," each of the techniques has to do with long life. The bewildered state of "I would like to be drunk forever and never regain consciousness" is one of the ultimate ethical states to which Chinese intellectuals aspired.

The goal to pursue detachment from life and disdain for material gain was not in order to attain an independent academic moral integrity, but was to maintain another material benefit, namely life itself. Was this not a self-mockery of the scholars' self-advertised detachment from life? It should be emphasized that the independent academic moral integrity or the nonmaterial intellectual moral integrity that scholars sought was not in the "difficult-to-attain ambiguity" of being without standards of right and wrong, value judgments, and pious



faith, but rather in maintaining a state of self-devotion to standards of right and wrong, value judgments, and pious faith that were independent of political and material gain. It was a case of "knowledge for knowledge's sake," "learning for learning's sake," "art for art's sake," and "truth for truth's sake." In particular, when the truth and faith that intellectuals upheld came into conflict with worldly political power, intellectuals were not required to close both eyes and withdraw into themselves, but to conduct a life-or-death struggle against worldly gain for the independent values of truth and faith. The moral integrity of the intellectuals required that they actively shoulder responsibility for discovering, propagating, and safeguarding truth. This was the bounden duty of intellectuals. **However, Chinese intellectuals' highest moral pursuit turned out to be abandonment of responsibility for truth.** The state of human life of "ruling over the empire," and the state of standing aloof from the world in "difficult-to-attain ambiguity" were two yokes from which Chinese intellectuals could not free themselves.

Modern-day Chinese intellectuals are engaged in a daunting struggle to gain independent academic integrity. Under the special conditions prevailing in China today, the struggle to attain independent academic integrity means nothing less than winning the democratic rights of freedom of thought, freedom of expression, and freedom of the press. This requires a mass consciousness on the part of the intellectuals, and remembering the lessons left from the tragic fate of Chinese intellectuals during the past several thousand years. In the struggle to win independent integrity for the intellectuals, not only can hopes not be pinned on an enlightened ruler, but use of the the escape into "virtuous personal conduct no matter the behavior of others" may also not be used to express dissatisfaction. This is because, until such time as the autocratic system that dominates everything changes, the most noble and purest moral self-cultivation will be unable to change the intellectuals' destiny of dependence on others. Thus, there is only one way of escape and that is resistance. **Resistance is the "bible" of modern Chinese intellectuals.** In this struggle, democracy is the only guide on issues of political right or wrong; truth is the only guide on issues in the academic study field; and individual choice is the only guide on issues of faith.

Because of the foregoing narrow political and moral restraints of a practical character, the way of thinking of China's intellectuals is one of eagerness for quick success and instant benefit. It is very difficult for them to think in terms of the purely academic and theoretical. Their thinking is not of a transcendental nature. It lacks a religious spirit for development in the direction of ultimate transcendental values, and it lacks a metaphysical tradition for the building of theoretical hypotheses that transcend the empirical. Much less does it possess a positivist spirit that fosters a suprapolitical rational attitude for facing realities squarely. All it knows is how to follow along behind real gains from "self-cultivation,

taking charge of the family, ruling the country, and pacifying the empire" blindly following suit.

At the religious level, Chinese intellectuals have no conception of God in the Western sense, but rather have only an anthropomorphized, secularized "Heaven" and "Buddha." The way of Heaven is the way of man; and Buddha nature is moral nature. As far back as the early Qin, "Heaven" was a sacred being synonymous with monarchical authority and social rank. The Zen sect of Buddhism that developed after the Tang and the Song dynasties did away with the eternal paradise, the expiation of the sins of the dead by others, and the transcendental nature of Indian Buddhism. It substituted the refinement of one's capabilities in this world, self-expiation, and the anthropomorphization of the Buddha. Sayings such as "there is Buddha nature in the hauling of water and the hewing of timber," "when one expresses himself sincerely, the nature of his thoughts is Buddha nature," and "when one puts down the butcher knife he becomes a Buddha on the spot" all exhibit the secularization of Buddhism. More important, this secularization of religion combined with the Chinese tradition of worshiping the emperor, ancient sages, and one's ancestors to form the Chinese tradition of not worshiping gods, but worshiping man. Confucius worshiped the dukes of Wen, Wu, and Zhou, and Mencius worshiped Confucius. Countless human emperors have been canonized. After 1949, atheism became the faith of modern Chinese intellectuals, and the worship of Mao Zedong became ever stronger as blasphemy of the gods increased, ultimately giving rise to the extreme cult of the individual of the Cultural Revolution period. Superficially, the worship of Mao Zedong was the veneration of truth and morality incarnate, but actually it was **an infatuation with and a dread of political autocracy.** In China, Marxism substituted for religious faith, and its deep-rootedness also sprang from Marxism, which represented authoritarian thought. Moreover, such unbounded worship of the leaders and of authoritarianism abetted those in authority to do evil, and allowed people's most vicious power urges to run rampant. **The process of imbuing faith with power and using power to support faith is just what the modern Chinese intellectuals sought.** They never realized that the political authority that the Chinese intellectuals deified with inexhaustible words of praise and staunch actions would not become the least bit more benevolent because of the piety of its creators. Conversely and more cruelly, it became harsh and unfeeling, casting its worshipers one by one into hell. Had the deified tyrants not gone too far in their unreasonableness, possibly China's intellectuals would not yet have awakened to the dangers of power worship. Specifically, had it not been for the Cultural Revolution, the Mao Zedong myth would not have shattered. But for the "eradication of spiritual pollution," and the antiliberalism campaign, the Deng Xiaoping myth would not have shattered. To continue, had it not been for the complete destruction of the Cultural Revolution and the failure of the present "reform," the Chinese intellectuals' illusions about dictatorial rule would still not be shattered.

Nevertheless, judging from the current level of awareness of China's intellectuals, it would be hard to guarantee that they will not once again employ their pens and their loyalty to establish a new authority figure. So long as their personal traits of blind worship of political power in the expectation of deriving benefits does not change, not even the shattering of the Mao Zedong myth and the Deng Xiaoping myth provide assurance that no such myths will be repeated. I have factual evidence for what I say. From late 1988 until early 1989, certain intellectuals on the mainland and in Hong Kong wrote graphically in support of a new authoritarianism and dictatorship. They maintained that the stagnation in China's current reform resulted from lack of dictatorial authority or insufficient dictatorial authority. For this reason, Chang Wu-chang [1728 0063 1603] in Hong Kong rushed forth to sing loudly the praises of the "dictatorial reform theory," not caring at all that the free market economy that he had been advocating all along was basically antithetical to a political dictatorship. Could it be that the gradual decline in China's economy since 1949 has been the result of an ever-stronger political dictatorship? Could it be that the stagnation of "reform" is because the incumbent powerholders persevere in a single-party dictatorship and are unwilling to carry out fundamental political reform? Could it be that the rampancy and total pervasiveness of "official profiteering" and the general corruption throughout China are the result of the extremes to which dictatorial government has been carried? Faced with the series of frightful consequences that autocratic government has wrought in China, what can be the explanation of his purpose in loudly calling for the establishment of a new authoritarianism and a new dictatorship other than to use the worship of authority and the use of authority for private gain?

All of the deification of dictators during the past several thousand years was performed by intellectuals. Manipulated by social opinion, the unwitting common folk could only go along with the literati in the deification of dictators. Were it not for the pens of the intellectuals, Mao Zedong could not have become so great and holy. While fashioning a trap for the common folk, the intellectuals also dug a grave for themselves, **those who worshiped power being doomed to destruction by power.** China's intellectuals have been wiped out many times, and it is hard to say what their future fate may be. However, the foregoing suggests that at least for the next several decades, the intellectuals will continue to dig their own graves. **The intellectuals' worship of power amounts to self-destruction itself.**

At the academic or theoretical level, China's intellectuals lack a transcendental philosophical spirit. Indifference to the unknown world makes the horizon of China's intellectuals extremely narrow. The utilitarian attitude of, "There may be more to the world than the six directions of north, south, east, west, up and down, but no matter," and "I do not understand life; what can I know about death," have turned theoretical research and

scholarship into a tool to be used for gain or a stepping stone to success to be discarded once they have served their purpose. The philosophy of Laozi and Zhuangzi, and the Confucian school of idealist philosophy of Song and Ming times may be considered to be the philosophies having the most metaphysical flavor in China's cultural tradition, but they differ entirely from the metaphysical tradition in Western civilization. The metaphysical tradition in Western philosophy that began in ancient Greece has two main features, as follows: First, ontologically, it established a substance that absolutely transcends experience. This quest represents man's efforts to master the effect of mysterious things that are unknown, that cannot be sensed, and even that cannot be known. It indicates man's thirst for absolute truth that completely transcends the utilitarian. Second, methodologically, the epistemological quest for an extremely strict and clear logic made it possible for theory to attain a kind of mathematical transparency and reasonableness. This quest suggests man's love for order and form. By relying solely on his own abstract faculties, and without help from any empirical data, mankind created a self-sufficient, complete, and pure spiritual world. This is a demonstration of intelligence that is unique in man. In today's world, the only data are the language symbols, and well as various symbols similar to language. The combination of noumenons that transcend experience and logical methods testify that man is a transcendental being. China also has transcendental philosophical formulations, but ultimately they become ensnared in the utilitarian world of reality. The ultimate in abstruseness, the eternal and nameless "Dao" of Laozi and Zhuangzi, is about as transcendental and transcendental can be; however, it exists everywhere, even in worthless and filthy things. The main application of the "Dao" of Laozi was its close association with "government by doing nothing," while the "Dao" of Zhuangzi was associated with happy-go-lucky people and to divination. The "heavenly principles" of the Confucian school of idealist philosophy of the Song and Ming dynasties was also occult. It maintained a single underlying rationale for all things, but it also maintained that "thorough and utmost study of the nature of things could particularize this underlying rationale into the self-cultivation of the five constant virtues of benevolence, righteousness, propriety, wisdom, and fidelity, and into the laws and regulations of the three cardinal guides and the five constant virtues. This transformed the philosophical underpinnings, and the theoretical validation of royal power and the hierarchical order.

(To be continued.)

### Debate Renewed Over Bourgeois Liberalization

90CM0390A Beijing GUANGMING RIBAO in Chinese  
16 Aug 90 p 3

[Article by Luan Baojun (2940 0202 0193), reprinted from WENYI BAO, 4 Aug 90: "Jun Dong's 'Method of Thinking' Criticized"; related articles were published in JPRS-CAR-90-042, 31 May 90, pp 71-78]

[Text] On 20 May 1989 Comrade Jun Dong [4546 2639] published his article "The End of a Method of Thinking" (abbreviated hereafter as "The End") in WENYI BAO as a critique of "Introspection During the Chinese New Year" (abbreviated hereafter as "Introspection"). If "Introspection" were wrong, it would be a good thing to criticize it. In my opinion, however, "Introspection" is a good article that is right on target in its criticism of current ills. Its author argued that there was bourgeois liberalization in the artistic and literary communities and analyzed its causes, manifestations, and dangers. He stressed that we should criticize and resist bourgeois liberalization firmly but cautiously and oppose the toleration, protection, and instigation of bourgeois liberalization and support for it. He wrote, "Some people fail to oppose bourgeois liberalization subjectively to seek stability and harmony. In fact, however, this will breed even more instability." This article offers both a correct line of reasoning and an accurate analysis of the actual situation, a piece of writing that holds high the banner of Marxism. At a time when bourgeois liberalization was running rampant, many people were gratified that an article like this would appear to burn away the haze. Comrade Jun Dong, however, argues that despite the reference to "Chinese New Year" in its title, "Introspection" enveloped the reader in the grey, gloomy, and chilly air of fall. It made you feel nervous and depressed and also gave you the sense that you had seen it somewhere else before. The article, Jun Dong contended, did not really create a mood of democratic inquiry or a climate of relaxation and harmony. As a result, Jun Dong felt compelled to criticize "Introspection" sharply.

In his article, "The End," Comrade Jun Dong avoids the central theme of "Introspection," namely the presence of bourgeois liberalization in the artistic and literary communities, and sharply zeroes in on what he calls "the method of thinking," attributing to "Introspection" three characteristics using his own "method of thinking." The three characteristics are "life-or-death parameter of thinking," "self-evident framework of thinking," and an "extremely arrogant psychology of thinking." In sticking these three labels on the author of "Introspection," it seems that Jun Dong would not be happy with anything less than having him branded as a "leftist." After examining closely Jun Dong's own method of thinking as demonstrated in "The End," I think it too has three characteristics as summarized below:

First, the "thou-shall-not-adhere-to-Marxism" parameter of thinking. One passage in "The End" reads, "Once they lose their past absolute authority and 'what-I-say-counts' status, most people who consider themselves the only revolutionaries and holier than thou feel frustrated and psychologically maladjusted. This is why the writer of 'Introspection' always feels keenly that 'comrades who have the courage to stick to principles' are excluded and oppressed. In all fairness, they have hurled political epithets like 'wrong thinking' and 'corrupt bourgeois ideas' on people for carrying out legitimate 'theoretical and academic research time and again

by taking advantage of opportune moments in recent years. Otherwise, other people have done nothing to offend them. The fact of the matter is that in a nation like ours where Marxism is the guiding thought, who can 'suppress the dissemination of Marxism?'" This is an intriguing passage. Probably Comrade Jun Dong thinks that this fatal blow would render the other side incapable of hitting back. But facts speak louder than words. Were there really people who tried to suppress the dissemination of Marxism when the thought of bourgeois liberalization was sweeping the nation? Let us take a look at facts.

In the dozen years or so after the crushing of the "gang of four," a tide of anti-Marxist bourgeois liberalization thought engulfed the entire nation and gained strength all the time. During this period, our party, mindful of the longstanding "leftist" errors of the past, called for "setting right that which has been thrown into disorder" in the theoretical arena. That was originally an excellent thing. However, a number of people who persisted in bourgeois liberalization took advantage of the party's effort to correct its mistakes to launch a savage assault on Marxism and Mao Zedong Thought. They repudiated Marx's great achievements, Mao Zedong Thought, the achievements of Chinese socialist construction, and the historical significance of the dissemination of Marxism in China. With the appearance of this trend of thought in mind, Comrade Deng Xiaoping delivered an important speech at the closing of the theoretical and ideological conference on 30 March 1979 in which he put forward the four cardinal principles. His speech and the four cardinal principles were subsequently written into the Constitution and the party program. Hit hard by this blow, people who stubbornly clung to bourgeois liberalization launched a furious counterattack. One wrote an article criticizing the four cardinal principles item by item, describing them as "four sticks," four sharp swords hanging over our heads, seemingly unhappy with anything short of their renunciation. Later, a number of people in the artistic, literary, and theoretical circles and in the press who persisted in bourgeois liberalization penned article after article attacking the four cardinal principles, propagating all kinds of absurd ideas, and tried to silence writers who upheld Marxism and Mao Zedong Thought and their writings, all in the name of "ideological liberation." At the Second Plenary Session of the 12th CPC Central Committee in October 1983, Comrade Deng Xiaoping called for an "anti-spiritual pollution campaign," which lasted just 28 days before fizzling out. The premature end of this struggle greatly boosted the arrogance of those who persisted in bourgeois liberalization. They wasted no time in retaliating. To them the 28 days were a mini Cultural Revolution. Comrades who had responded enthusiastically to the "anti-spiritual pollution" campaign and those who had taken a position were bitterly hated and branded "anti-spiritual pollution" elements, taunted, ridiculed, and abused in every way. At the Fourth Congress of the Writers Association in December 1984, the Shanghai delegation went so far as to disqualify a veteran writer as

a candidate for director, his crime being his "enthusiasm" for the "anti-spiritual pollution campaign." Liu Binyan and others even masterminded a scheme under which all artistic and literary publications within the system of the Writers Association would refuse to carry all articles and other works by "anti-spiritual pollution campaign elements." Comrade Jun Dong, how does this practice square with your statement that "other people have done nothing to offend them (that is, people who uphold Marxism)? Can you really say there was no attempt to muzzle the dissemination of Marxism? The tyranny of those who persisted in bourgeois liberalization and the unchecked spreading of bourgeois liberalization trend of thought led directly to the student unrest of late 1986. Accordingly, Comrade Deng Xiaoping again called on us to oppose bourgeois liberalization, only to be resisted a second time by a certain leader inside the party. On the one hand, this man put obstacles in the way of those who opposed bourgeois liberalization, attacking people who opposed bourgeois liberalization and interfering in their activities. On the other hand, he encouraged people who persisted in bourgeois liberalization and put them in high positions, allowing them to go ahead boldly with their work. Because of the support of this party leader, people who persisted in bourgeois liberalization became extremely arrogant and considered themselves unmatched in the world. In effect, they became a political force, an opposition party. Their control over the shapers of public opinion enabled them to willfully attack Marxism and those who upheld Marxism, lashing out frequently at people who did not see eye to eye with them. They established connections everywhere, held all sorts of seminars, and set up associations and societies under myriad names in an extensive bid to attract followers, breed disaffection, and incite young people to oppose the CPC. By early 1989, people who persisted in bourgeois liberalization felt that they had matured and were ready to take on the CPC. So they used the student unrest to mastermind the disturbances and counterrevolutionary rebellion between spring and summer last year in an open bid to overthrow CPC leadership and the socialist system.

What do the above facts tell us? First, the bourgeois liberalization trend of thought not only existed in the artistic, literary, and theoretical circles and the press, but was quite rampant for a while. Second, while they still mouthed "democracy, freedom, and human rights" interminably, people who practiced bourgeois liberalization in fact did not pay attention to "democracy, freedom, and human rights" in dealing with people not in collusion with them. They were a bunch of wildly arrogant people, a bunch of careerists acting like overlords. They understood neither democracy nor legality. Once in power, they absolutely would not allow any true communists or people who upheld Marxism any freedom or democracy. Not only would they disallow the propagation of Marxism and Mao Zedong Thought, but they would also hit out mercilessly at anyone courageous enough to say a few fair-minded words on behalf of the CPC and Mao Zedong. Comrade Jun Dong said, "In a

nation like ours where Marxism is the guiding thought, how can one suppress the dissemination of Marxism?" This is a far cry from the reality then. By arbitrarily criticizing from the higher plane of principle and the two-line struggle and intimidating people by pinning labels on them, Jun Dong's article itself is typical of those writings aimed at suppressing the propagation of Marxism.

Second, a "secure-in-the-knowledge-that-one-has-backing psychology of thinking." Jun Dong claims that he wrote that article "two years ago." That is baffling. The article opens with these words, "Our way of thinking has changed, namely from the old, destructive 'destroy first' mentality to the constructive 'construct first' mentality. This is a particularly poignant change for those who have lived through endless mass criticisms in the past in which class struggle and line struggle were taken as the key link. This is precisely why Comrade Wang Meng [3769 5536] meaningfully called for 'emphasizing construction and deemphasizing destruction,' 'construction without destruction,' and 'preserving the old and establishing the new' in his discussion on cultural construction in the initial stage of socialism. (See QIUSHI, 1989, No. 1.)" Note that the Wang Meng article cited by Jun Dong was published in the No. 1, 1989, issue of QIUSHI. We cannot help but wonder how an article published in 1989 could be quoted in another written in 1987.

Let us assume that "The End" was indeed written "two years ago," but this will not alter the substance of the matter. It was published in late May 1989. Not only did it mesh well with the atmosphere of turmoil prevailing at the time, but it also seriously misguided public opinion. When Jun Dong wrote the article, he was swollen with arrogance as if he were the embodiment of truth. He willfully taunted the writer of "Introspection" and criticized him irresponsibly, secure in the knowledge that he had backing. The reason is that both the macroclimate and the microclimate matched his ideological state, what with bourgeois liberalization running rampant and the leader arrogantly talking nonsense. Jun Dong felt enormously encouraged. He probably thought that the engulfing of the land by bourgeois liberalization and the decline of Marxism were the trend of the times. Under these circumstances, one would get both kudos and fame by standing up to criticize "Introspection," which was opposed to bourgeois liberalization. This is precisely why Jun Dong was emboldened to declare overbearingly that "Introspection" marked the end of a way of thinking. How could one come to that kind of conclusion if he did not think that the world already belonged to bourgeois liberalization? Clearly, it is none other than you, Jun Dong, who is "fearless because you have backing," not the writer of "Introspection" or some other people who uphold Marxism.

Third, the "avoid-the-substance-and-hit-out-at-the-trivial-to-hoodwink-people mode of thinking." Criticizing the writer of "Introspection," Comrade Jun Dong wrote in "The End," "This mode of thinking



often cannot and need not involve meticulous detailed quantitative analysis and logical argument designed to convince people by reasoning. Instead, all one has to do is use the 'self-evident' method of quoting to prove a point. 'Provide critical and explanatory notes for the Six Classics and vice versa.' This method never fails to work." By and large, this passage is quite correct, but as a criticism of "Introspection," it is off the mark. On the other hand, as a criticism of Comrade Jun Dong himself, it is most apt. The central idea of "Introspection" is that bourgeois liberalization exists in the literary and artistic communities. In particular, it criticizes some people within the party for their tolerant and conniving attitude toward bourgeois liberalization and analyzes the social and historical origins of this trend of thought. If Jun Dong does not agree with the arguments in "Introspection," he must provide careful in-depth quantitative analysis and logical argument. He must marshal facts to prove that the artistic and literary community is not only free from bourgeois liberalization but is actually highly Marxist. If he can come up with facts to prove this point, he will certainly win the case. Unfortunately, Jun Dong fails to do so. He "avoids the substance and hits out at the trivial." Trying to change the subject, he discusses at length the method of thinking used by the writer of "Introspection." He talks vaguely about others' enthusiasm for "life-and-death class struggle," about others "occupying a commanding position," "intimidating people with power," "considering themselves the sole revolutionaries and a cut above others." After reading such "analyses," one can see clearly that Jun Dong is on the side of the wrong trend of thought and can realize his hypocrisy when he calls for "an atmosphere of democratic discourse and a harmonious environment." Jun Dong wants to destroy his opponent completely, so when he hits back at the latter, he not only fails to convince people by reasoning, but ignores the minimum etiquette on discussion.

People who are remotely familiar with the situation in the artistic and literary community all know that there were indeed some individuals there who "occupied a commanding position" and "intimidated others with power," as represented by Liu Binyan and Wang Ruowang [3769 5387 2598]. What distinguished these people was their arrogance and extreme conceit. They were only too ready to please the public with claptrap, but had little desire to seek truth from facts. They tried to drum up support everywhere for themselves with their glib talk. They lectured everybody, as if they were the only people on earth who were right. They were the embodiment of truth, the sole arbiter of right and wrong in the world. He who agreed with them was right and he who disagreed with them was wrong. They could pin all kinds of labels on people who held different points of view. If this is not "intimidating people with power," what is? Comrade Jun Dong turns a blind eye to all this, but levels all kinds of charges against the writer of "Introspection" for saying a few fair-minded words. What does this prove other than that Jun Dong colludes with the wrong ideological trend of thought?

As for being "psychologically maladjusted," it too was the ideological state of people who practiced bourgeois liberalization in recent years. They originally hoped to take advantage of the CPC's drive to bring order out of chaos and correct its own mistakes to discredit the CPC and replace it. A few rounds later, however, they concluded that it would be no mean feat to replace the CPC in every corner of China. At the beginning, they were very arrogant and extremely active. They wrote reports and articles to spread fallacies, misleading many young people and sowing the seeds of instability in society. But the CPC and people who upheld Marxism had not gone to sleep. Realizing that the people who practiced bourgeois liberalization were targeting the CPC in their activities, they came out in opposition to bourgeois liberalization. This is logical enough, an act of responsibility by the party to the people. However, people who persisted in bourgeois liberalization had been so pampered and spoiled by a certain leader within the party that they could not put up with a single word that was a tad unpleasant to the ear. They felt hurt even by a little mild criticism, so just imagine how they reacted when there was opposition to their bourgeois liberalization. They felt ill at ease, restricted, uncomfortable, psychologically maladjusted, even "depressed." Jun Dong's article, therefore, is not so much a mirror of the psychology of the writer of "Introspection" as a portrait of the state of mind of those who persisted in bourgeois liberalization.

Jun Dong satirizes at length the failure of the writer of "Introspection" to provide evidence and enumerates the CPC Central Committee documents and speeches by central leaders quoted by the writer. It is true that not all good articles include a profusion of quotations, but it is also true that all good articles do not exclude quotations. If the words of a third person have been proven by practice to be correct and precisely corroborate one's ideas, what is wrong with quoting that person? Doesn't Jun Dong himself begin his piece by quoting Wang Meng? He does so precisely because, from his point of view, he believed that Wang Meng's words were correct and forceful and reinforced what Jun Dong said. Only Jun Dong is free to quote (never mind whether or not he quotes properly), nobody else is free to do so. Isn't this a bit like the old days when the magistrates were free to burn down houses, while the common people were forbidden even to light lamps?

The most important quotation in "Introspection" is Comrade Deng Xiaoping's exposition on opposition to bourgeois liberalization. For instance, "A tiny minority in society is propagating a trend of thought calling into question or opposing the four cardinal principles. Inside the party too there is a comrade who not only fails to acknowledge the danger of this trend of thought, but persists in it in certain direct and indirect ways." "He fails to criticize wrong tendencies, but as soon as you criticize him, you are denounced as coming down with the big stick." Please, Comrade Jun Dong, aren't these phenomena pointed out by Comrade Deng Xiaoping's

facts? The article also includes another saying by Deng Xiaoping, "If it is mishandled, it will intensify the contradiction and major disturbances could break out." Comrade Jun Dong, did this not turn out to be true? Between spring and summer last year, as your masterpiece was going to the press, did not major disturbances break out? In quoting these words by Deng Xiaoping back in the spring of 1987 to heighten our vigilance, the writer of "Introspection" did us a good turn. How can we find fault with that?

After the disturbances and counterrevolutionary rebellion between spring and summer last year were quelled, some people have remained hesitant and continued to take a wait-and-see attitude. As Comrade Jiang Zemin said, "Even now some people are still looking. Looking for what? Looking to decide whether or not they should change." (From a speech at the national conference for heads of organization departments on 21 August 1989.) Earlier, Comrade Jun Dong was quite active, making many misstatements. Eight or nine months after the disturbances were put down, Comrade Jun Dong has yet to make a decent self-criticism. I hope that he will recover his bearings and return to the fold by criticizing himself conscientiously and correcting his mistakes in earnest.

#### Writer Li Zehou Criticized by Hardline Writers

90CM0421A Hong Kong CHIUSHIH NIENTAI  
[THE NINETIES] in Chinese No 9, Sep 90 pp 60-61

[Article by Bi Hua (3880 5478): "Leftwing Literary Circles Mount a Joint Attack Against Li Zehou"]

[Text] Aiming directly at writings on "Enlightenment and National Salvation," the left held a meeting in May at Changsha and followed up by firing off some articles of their own.

While political pressure on literature and art has been going on for decades, the theme under discussion here painfully stung the "royalty of the left," whose subservient writers play up the need for "class analysis" in a joint counterattack.

The "royalty of the left" in Chinese Communist literature and art recently organized a joint attack against Li Zehou [2621 3419 0624], a scholar with research interests in philosophy and esthetics, particularly aiming at the chapter "The Simultaneous and Deviant Two Themes of Enlightenment and National Salvation" in Li's book *Discourse on the History of Modern Chinese Thought*.

#### Criticism of the Theory of the "Two Deviant Themes"

Li Zehou's statements caused quite some waves. Even the article "Another Discussion of 'Enlightenment and National Salvation,'" which appeared in issue No 4 (1989) of the periodical WENYI LILUN YU PIPING

[LITERARY THEORY AND CRITICISM], whose chief editor is Chen Yong [7115 8673], a member of the literary left, had to admit:

"A book is presented here to the general public that will attract greatest interest at home and abroad: Li Zehou's *Discourse on the History of Modern Chinese Thought*. It presents a concept that is rather shocking to our common understanding, namely the 'Simultaneous and Deviant Two Themes of Enlightenment and National Salvation.' Many in the literary field presently espouse his ideas, which have become a hot topic of discussion. Those who have adopted his ideas and who are propounding them are as numerous as 'a school of silver carp moving downstream,' and his ideas have given impetus to a great variety of articles on the said topic. Especially when discussing the new literary tradition that came into being in the May 4th Movement, there is hardly any middle-aged or young writer who will not show his link with the said concepts. We may also say that the said concepts have become fundamental criterion for any evaluation of modern art and literature among a large proportion of the population, and have even become something of a fixed law that is not to be doubted."

Subservient Chinese Communist writers are desperately afraid of Li Zehou's concepts. This year's issue No 4 of WENYI LILUN YU PIPING reports that, from 5 to 8 May, the State Education Commission's Center for the Development and Research in the Social Sciences, Hunan University, the Philosophy Department of Beijing University, and the editorial office of the WENYI LILUN YU PIPING held a meeting at Changsha termed a "Symposium for the Discussion of Certain Problems in Philosophy and in the History of Ideas." The main purpose of the meeting was to analyze, study, and criticize "the serious confusion about truth and falsehood and the confusion in literary theory that exists in the minds of a small group of comrades, especially also to concentrate attention in this respect on certain statements and writings in the areas of philosophy and history of ideas, which depreciate and negate the leadership and the historical achievements of the CPC, which doubt and negate the leadership position of Marxism, and which show contempt for and negate the Chinese people's choice of the socialist road." Focal point of this meeting was Li Zehou's concept of "national salvation prevailing over enlightenment."

Lending further support to this meeting, the same issue of WENYI LILUN YU PIPING published an article by Yang Hanchi [2799 3352 3069] entitled "The Theory of the 'Simultaneous Two Themes' and the Marxist View of Art and Literature." Furthermore, WENYI BAO, of which Zheng Bonong [6774 0130 6593] is chief editor (Zheng had previously been assistant editor of WENYI LILUN YU PIPING), published on 7 July 1990, page 4, a speech by Ouyang Shan [2962 7122 1472], given at a certain symposium in Guangdong. In that speech, Ouyang Shan criticized the idea of "national salvation prevailing over enlightenment" and said, "Outwardly this is an academic question, but what is really at stake

here is the political road." He also said, "This now-fashionable theory says in fact that modern Chinese history from the May 4th Movement on should conform to the orientation, principles, and policies of the capitalist enlightenment movement, when instilling in the minds of the masses such ideas as democracy, freedom, equality, universal love and human rights, and humanism, so as to nurture democratic individualists and a strong middle class, much like Hu Shih [5170 6624], and to finally establish a bourgeois republic."

### National Salvation Prevailing Over Enlightenment

What is the essence of the "Simultaneous and Deviant Two Themes of Enlightenment and National Salvation," which are so frightening to the "royalty of the left" and would never allow them to feel at ease?

Li Zehou believes that a fundamental contradiction has run through the entire developmental process of modern China's new culture, namely the contradiction of enlightenment (democratic enlightenment) and salvation (national salvation, revolution). Due to the extreme urgency of their sociopolitical situation, the Chinese people have concentrated a major part of their attention and strength on the study and discussion of pressing sociopolitical questions, and of all their actual activities; political struggle has always been the focal point that stimulated action by all groups of advanced intellectuals.

The perils of the situation and the reality of fierce struggle during modern times have perforce caused the theme of national salvation to prevail over the theme of intellectual enlightenment. Because Chinese Communism used revolutionary struggle to achieve a "radical solution" of the social problem, revolutionary struggle has squeezed out the movement for enlightenment and freedom of thought, and had the resurgence of feudalism covered up invisibly under the mantle of the "radical solution," ultimately resulting in a huge calamity for the masses.

### The Squeeze of Politics on Literature and Art

What effect, then, has "national salvation prevailing over enlightenment" exercised on literature and art?

When people in the past analyzed the reasons that Chinese Communist literature and art became slaves to politics, most started out from the angle of Communist China's need for consolidating its political power, so that everything had to be rendered political, and why, then, should literature and art alone be treated differently. Li Zehou's view is that the history of Communist China's new literature and art for the last decades was in actual fact a history during which revolutionary politics continuously squeezed out literature and art. This is how he evaluates Mao Zedong's *Talks at the Yanan Forum on Literature and Art*:

"Mao pointed out that discussion of literature and art must begin with the realities of the actual anti-Japanese fight of those days. He therefore takes the standpoint of

a politician and begins with the angle of the overall situation, namely leading the revolution and directing society in actual struggle, when he regulated and raised demands for the content and forms of literature and art. Obviously, that is not starting out from the interests of literature and art, and particularly not from esthetics, but is rather beginning entirely with the needs of politics. Mao has, therefore, since then always emphasized the utility of literature and art by first of all applying political criteria."

Doing so means that literature and art were of necessity sacrificed for non-literature and non-art purposes. Starting out from this premise, Li's evaluation of Mao's *Talks* as to their significance for the overall situation in literary and art circles after Mao's death was:

"Mao Zedong figured on having fulfilled his long-standing desire of having the real masses of Chinese peasantry appear in Chinese literature and art, real village life with all its hardships and struggle, with rustic towels wound around peasants' heads, clothed in home-made cotton clothes, 'cattle dung sticking to their feet,' simple, and rustic-rough. This pure and simple beauty was to take the place of everything else. His 'way of thinking and feeling' as well as his outlook on life had become simple and narrow, also plain and monotonous. There was no sign of anything international and metropolitan, or of the life, culture, and psychology of the middle or higher strata of society. Writing was of the workers, peasants, and soldiers for the workers, peasants, and soldiers, who were the main actors in any descriptive literature or art.... This, then, was the transformation in the history of modern and contemporary Chinese literature and art, the turning point for which came about with the Yanan rectification movement. The control over creation and theory created by this kind of transformation had endured all along until the 1980's, when there was some change in this respect."

Since the points that Li Zehou made regarding problems that have survived the new culture movement have touched a sensitive nerve of the "royalty of the left," it was absolutely natural that the reaction would be so broad and far-reaching, finally evoking a joint attack on Li Zehou from all sides.

### Firing Off a Whole Series of Critical Articles

In issue No 4 of last year's WENYI LILUN YU PIPING there was an article entitled "More on 'Enlightenment and National Salvation.'" At that time, the "royalty of the left" had not yet become all-powerful in literature and art circles, and this article still had some words of praise for Li Zehou's statements. The article also contained an acknowledgment that some of Li Zehou's views "conform to the facts of social history" and also do not conceal the "errors of excessive simplicity and crudeness that had been committed in the Yanan rectification movement, and that 'leftist' errors had been conspicuous, especially since the 'Chinese Communist' founding

of the PRC." Therefore, even though the article criticized Li Zehou, I believe it was not to the taste of the "royalty of the left," who was increasingly gaining in power. As a result, the article, which ended with the note "to be continued," had its later part dropped from further publication. When issue No 4 of WENYI LILUN YU PIPING appeared this year, it contained "The 'Two Themes' and the Marxist View on Literature and Art," which is an article which sings completely the leftist tune and serves as framework for criticism of Li Zehou's ideas by applying Marxist class analysis.

Yang Hanchi finds fault with Li Zehou in that the "enlightenment" in Li's "two simultaneous and deviant themes" is of a very complex and confusing origin, "one part consists of the abstract 'democracy' and 'human rights' views that had already lost out as early as the time of the old democracy; and one part consists of the individualism and the supremacy of the individual propounded by the bourgeoisie and petty bourgeoisie, and also includes a variety of irrationalities such as 'complete Westernization,' and opposition to class struggle and the powers of the state, and to the dictatorship of the proletariat. Another part consists of the declining thoughts and sentiments of imperialism." This is the way the article all along slanders and vilifies the "democratic enlightenment" of the new culture movement.

Moreover, Li Zehou's "Four Lectures on Esthetics" were also recently criticized. At the same time as WENYI LILUN YU PIPING in this year's issue No 4 criticized the "Simultaneous and Deviant Two Themes of National Salvation and Enlightenment," it also contained in the article "Confrontation Between the Theory of New Sensitivity and Marxist Esthetics" criticism of Li Zehou's esthetic viewpoint of "new sensitivity." WENYI BAO of 14 July published an article entitled "Criticism of the 'Theory of New Sensitivity' in the 'Four Lectures on Esthetics.'" Its author, Yan Zhaozhu [0917 2507 2691], had recently criticized Liu Zaifu [0491 0375 1788], who is presently abroad, in RENMIN RIBAO for his "Theory on the Subject of Literature." From all this criticism we can foresee that Li Zehou will have a hard time from now on.

### Leftist Writer Liu Baiyu Denounced

90CM0297A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 246, Jul 90 pp 114-116

[Article by Ge Xiaoming (5514 1420 6900): "Liu Baiyu: A Soldier-Like Scholar and a Scholar-Like Soldier"]

[Text] Editor's note: Liu Baiyu [0491 4101 5038] was born in 1916. He went to Yanan in 1938 and worked for many years in the military of Communist China. He once served as director of the Cultural Office of the General Political Department of the People's Liberation Army [PLA]. During 1980 and 1981, he was the first to criticize Bai Hua's [4101 2901] *Unrequited Love*. In 1987 he attended the Zhuozhou Conference, which was held

to oppose "the ideological trend of bourgeois liberalization" in literary and art circles and he delivered a lengthy speech. [end editor's note]

In the literary and art circles of Mainland China, there are two-and-a-half most typical "soldier-like scholars and scholar-like soldiers": One is Liu Baiyu, the other is Wei Wei [1550 1550]. The half is Meng Weizai [1322 0251 0762]. (This person can only count for a half because he is even more insignificant than the other two.)

The characteristic of these half-soldiers and half-scholars is that they use a pen as a gun. They look like murderers and act ferociously. They want to "kill, kill, and kill" all writers. They are known for their pens and rely on the support of their guns. They are unique "monsters" of Mainland China who live in both Yin and Yang circles.

### The First To Speak in the Central Propaganda Department After the 4 June Incident

Take Liu Baiyu, for instance. He used to be the director of the Cultural Office of the General Political Department of the PLA. But he turned "the director of the cultural office" into "the director of the military office." He addressed soldiers on the cultural weapons of class struggle and scholars on the military weapons of cultural struggle. After 1949, he continued killings for several decades.

In June 1989, when he saw that not only he was "killing," but the government was also "killing," he was elated. He made speeches everywhere and published articles to praise butchers and slander students. At the symposium of Wang Renzhi of the Central Propaganda Department held in mid-July, he was the first to speak. The tone of his speech was higher even than that of "denunciation meetings" held during the Great Cultural Revolution. Stirred by his speech, literary clowns who "suffered bitterly and nursed deep hatred" such as Lin Mohan [2651 7817 3211], Meng Weizai, Malaqinfu [3854 2139 3084 1133], Li Xifan [2621 1585 0416], Cheng Daixi [4453 0108 3556], Zhang Jiong [1728 3518], and Wu Yuanmai [0702 0337 6701] went up onto the platform one after another to pour out their grievances. Filled with righteous indignation, they "denounced" the literary and art line of the previous decade. The meeting was filled with the sounds of killing.

With a murderous look on his face, Liu Baiyu began his speech by denouncing students and citizens. He said, "We have been through wars. We have seen sacrifices and deaths, but that was in battlefields. We never thought that in our old age we would see counterrevolutionary thugs cruelly killing our comrades and comrades-in-arms right around us and throwing their bodies on the streets of our capital city. We feel great pain and indignation. This is indeed a profound lesson written in blood." What nonsense! Even Hitler could not have distorted history like this. When Hitler used his SS to kill Jews, Jews resisted too. But Hitler did not turn around and accuse Jews of "killing" his "comrades-in-arms."



Mobilizing 300,000 soldiers of a field army in full battle array and nearly a thousand tanks of the national defense army to deal with 3,000 starving students and unarmed citizens, thus causing an unprecedented massacre, has already shocked the whole world. Now the butchers turned around and put the blame on their victims by accusing the students. What a forever stange tale! It is really hard to believe that people could do such a thing.

#### Shouting for Efforts To Seize Back Literary and Art Positions

After "denouncing" for sometime, Liu Baiyu went on to "denounce" the "literary and art circles" of the new period. In the tone of a soldier excited over killings, he summarized the problems of the literary and art circles in the previous decade as "failing to stress class struggle." He said, "If the proletariat does not occupy the sphere of ideology, the bourgeoisie will. This is an irrefutable truth. We must not relax class struggle in the ideological sphere." According to the opinions of this soldier, the ideological sphere must again consider "class struggle as the key link" and militarize literature as he did.

Judged by his standards, the literary and art circles of the reform period indeed had serious problems. So he denounced everything carried out by the literary and art circles in the previous 10 years. With regard to the academic issue that some graduate students in Shanghai and Beijing wanted to "rewrite the history of literature," he considered it a matter of principle. He said, "Wantonly calling for efforts to rewrite the history of literature is the same as calling for efforts to overthrow the history of socialist literature, to establish the history of bourgeois literature, and to guide China's socialist literature onto a bourgeois track." In the past 40 years, we have heard all kinds of accusations and saw all kinds of labels flying around except for the one of "overthrowing the history of socialist literature." Only a soldier disguised as a scholar could make such an exaggerated statement.

Liu Baiyu also shouted abuses at those literary researchers who reassessed some modern writers in a realistic manner. He made political threats at them. He said, "Now some people have praised Hu Shi, Zhou Zuoren, and Liang Shiqiu to the skies," which "runs counter to the tradition of revolutionary and progressive literature and art." He also attacked the research of humane studies on Freud. At first he said that "Freud is insignificant," which is his own view and not worth reproaching. But he asserted that those who studied Freud were "copying the bourgeois culture of the West" and "copying the decadent, corrupt, obscene, and dirty garbage of the West." This is truly the style of a brainless soldier. At the meeting Liu Baiyu also called for efforts to "seize back literary and art positions" and take firm action to seize back one by one RENMIN RIBAO, WENYI BAO [LITERATURE AND ART], and RENMIN WENXUE [PEOPLE'S LITERATURE]. In spite of his 75 years, Liu Baiyu personally chased Liu Xinwu [0491 1800 2976] out of office and became the

chief editor of RENMIN WENXUE with the help of Malaqinfu. He ascended to power in the pool of blood. His laurels are dripping with blood. "Taking advantage of national calamities to seize power" is the same as "profiting from national calamities" in nature.

#### Praising Hua Then and Flattering Deng Now

Ten years ago Liu Baiyu was always full of grievances and anger. He never said anything good about Deng Xiaoping. But after the killings of the 4 June incident, he began to sing loudly the praises of Deng Xiaoping and play the role of an interpreter of Deng Xiaoping's thinking. He said, "Comrade Xiaoping talked about the 'overall international climate,' which I understand as the peaceful change of Western bourgeois countries toward us." What is more sickening is that in RENMIN RIBAO on 8 November 1989 he went all out to praise *The Uprising of a Hundred Colors*, which is a movie made to build the "leader image" of Deng Xiaoping. That "murderous look" he had when he spoke at the Central Propaganda Department completely disappeared. He suddenly became a gentle "scholar." And the first thing he said was, "The bell of revolutionary history sounds forever loud and clear in the vast skies. After seeing *The Uprising of a Hundred Colors*, my first feeling is that we must live with the sounds of the bell of revolutionary history." What is "living with the sounds of the bell of revolutionary history? It really does not make any sense. Moreover, in his speech he lavished fulsome praise on "the image of young revolutionary Comrade Deng Xiaoping" and described how his image had "the power to purify people." Purification is a religious term. He had obviously mistaken Deng Xiaoping for god. This obviously is only flattery. Praise is okay, but in conclusion, he kept a straight face of a soldier and threatened people: "Forget means betray!" This is really ludicrous. If forgetting Deng Xiaoping means betrayal, did Mao Zedong also betray the revolution, for he too "forgot" about Deng Xiaoping in the Great Cultural Revolution?

In fact, Liu Baiyu was only putting on a facade. This man is indeed not very honest. This can be proved by his past. In October 1976, when Hua Guofeng became chairman of the CPC, he wrote an essay under the title of "Red October" (which was published in RENMIN WENXUE) and exhorted the highest and most beautiful words of the world to praise "Chairman Hua." For instance, when he wrote about Hua Guofeng's inspection of Tangshan earthquake, he emphasized, of all things, Hua Guofeng's "peaceful expression" which is really irrelevant. Hua Guofeng was still alive and was worried about the earthquake; how could he look "peaceful"?

What is worse is that, when Liu Baiyu praises, he uses all fancy words. He wrote: "The Chinese Communist Party and the people of China now again have their own leader Chairman Hua. What a glorious October this is! Amid the cheers of millions of people, we saw Chairman Hua walking up to Tiananmen. I felt that Chairman Hua came from the depth of the people and walked onto Tiananmen. As workers in Tangshan said, 'We saw

Chairman Mao and Premier Zhou. Chairman Hua looks like both Chairman Mao and Premier Zhou.' This reflects precisely the love the people have for their own leader and shows exactly the glorious tradition of the party and the great work style of Marxism displayed by Chairman Hua Guofeng. Chairman Hua's tall stature and peaceful expression both remind us of Chairman Mao. He is as sedate as Taishan Mountain. He is also as warm as spring sunshine. His face always shows an honest smile. He is so amiable and easygoing with the people, but he is firm and resolute with enemies. With a wave of his hand, he can clear the skies of 10,000 li and reveal endless wonderful scenery. This makes the people love and trust Chairman Hua even more."

The whole article, which contains several thousand words, is filled with terminology used by Red Guards to praise the red sun during the Great Cultural Revolution. Pretending to be a Red Guard, He looks somewhat like that "Lao Laizi who entertained his parents" in the *24 Stories of Filial Piety*. Lao Laizi was an old man of 60 or 70 years of age. In order to make his parents happy, he put on a show and pretended to be a child playing with a rattle. Such behavior is exactly what Lu Xun called "considering sickening as being funny."

Now Liu Baiyu is again singing the praises of "Deng Xiaoping's image as a young revolutionary." But when Deng Xiaoping supported Hu Yaobang and Zhao Ziyang in carrying out reforms, he was very angry and called Deng names behind his back. Now that Deng Xiaoping used massive force to kill students, he showed up to sing praise. What is he up to anyway?

#### Combining Polite Letters With Martial Arts and Using the Gun To Guide the Pen

Liu Baiyu played the role of the mixture of an "armed scholar" and a "cultured soldier." His murderous look alternated with the fawner's look. This was fully reflected in the 1950's and the 1960's. While praising the "red sun," he cruelly killed and persecuted writers, playing the role of the cruellest and most inhumane killer and butcher who was in the same ranks with Lin Mohan and Chen Yong [7115 8673]. In 1955, he and Lin Mohan both became the crucial characters who concocted the case of "Hu Feng counterrevolutionary group." They both became members of the central special 5-person investigation group. Located directly in the Public Security Department, they drew up a large-scale cleanup plan, decided on a list of arrests and screenings to be carried out across the nation, and sent a large number of innocent writers to prison. At the time, this scholar had become not only a complete "soldier," but also a complete "policeman." Facing the new "public security school" of Liu Baiyu, it was inevitable for that group of simple scholars including Hu Feng [5170 7364] to suffer a crushing defeat and be sent to prison.

After using the military method of "public security" to finish the "Hu Feng" group, Liu Baiyu and Lin Mohan

began to participate in the "battle" of eliminating "rightists." On the first page (whole page) of WENYI BAO on 4 August 1957, he published an article entitled "On the Rightist Cold Current of Literature," which was really ferocious. At the time there were many antirightist articles. But his articles had a characteristic, that is, almost all words were military terms filled with the smell of gunpowder. The article was strewn with "battle fronts," "battle positions," "offensives of hostile classes," "a fortress is most vulnerable when attacked from within," and "when the bourgeoisie fights the decisive battle with the proletariat..." The whole article was filled with phrases used in battle. They were militant words obviously intended to put to death 500,000 intellectuals.

What is "iron dictatorship" and "language violence"? We will know if we read this article. The phenomenon of the mixture of cultural and military elements demonstrated by Liu Baiyu—namely, the phenomenon of using the authority of a gun to safeguard the authority of a pen and using the authority of a pen to persecute and destroy writers—is a great wonder of Mainland China in the second half of the 20th century. It made us understand how sad and dark a country's culture will be if it is controlled by a group of insane "soldiers."

Other typical "monsters" who mix polite letters with martial arts like Liu Baiyu are Wei Wei and Meng Weizai. The performances of these two persons, which will be introduced later, are especially cruel and ugly. But as far as the essence of spirit is concerned, also falling in this category are Lin Mohan and Chen Yong, who hold key positions in the literary circle in Mainland China, and their followers such as Chen Bonong [7115 0130 6593], Xu Feiguang [1776 7236 0342], Ding Zhenhai [0002 2182 3189], Min Ze [2404 3419], and Zhang Jiong. Although they are not soldiers, they are amphibious animals who cannot make it with a pen and must rely on guns to occupy the literary circle. Not one is a writer, but all of them make a living by killing and persecuting writers. Because of this, they are also literary prostitutes in the essence of spirit.

Since the literary circle of Mainland China is now under the control of these "monsters," it has turned into a military circle. The incumbent "minister of culture" and the director of the Propaganda Department—He Jingzhi and Wang Renzhi—can also be called, as a matter of fact, "the minister of martial arts" and the director of the "military propaganda department." The party commands the gun, the gun commands culture, letters mix with martial arts, and red (fire) mixes with black (ink). This is precisely the culture of Mainland China which is both bloody and funny.

#### Footnote

1. GUANGMING RIBAO, 14 July 1989.

## Press Reform Seen Stymied in Wake of Crackdown

90CM0385A Hong Kong PAI HSING [THE PEOPLE]  
in Chinese No 221, 1 Aug 90 pp 22-33

[Article by Chang Min-yi (1728 2404 3015): "China's Press Reform as Perceived From the Fate of SHENZHEN QINGNIAN BAO"]

### [Text] A Group of Newcomers

The greatest source of pride during the past 10 years of journalism reform has been the fact that a group voicing dissent has arisen right in the area where the Chinese Communists exercise the most rigorous control—news organizations. They do not believe in "waiting" or in "gifts." Their quest to inject righteousness and freedom into newspapers has led them to overcome their fear.

They created a group of newspapers and periodicals that demonstrated courage, discernment, and vigor. They opposed the idea of letting one voice drown out all other voices and fought against the idea that other people do the thinking while the lot of a journalist is to obediently repeat lies and distortions.

Among this newly arisen group of newcomers, the ones with the clearest sense of the times were SHENZHEN QINGNIAN BAO, SHIJIE JINGJI DAOBAO, XIANDAIREN BAO, and QINGNIAN LUNTAN. These four periodicals were praised by readers as "the four lead players" of the reform period.

SHIJIE JINGJI DAOBAO, of Shanghai, drew upon an impressive array of talent in providing the theory for China's reforms. Almost every well-known Chinese theorist contributed voluminously to this newspaper.

XIANDAIREN BAO gave wonderful descriptions the spiritual aspects of modern life. It was as the poet wrote: "A thousand melodies blend together beautifully; pearls of every size fall onto the jade platter."

QINGNIAN LUNTAN, of Wuhan, fearlessly posed questions about forbidden topics which few others dared broach.

The first publication to attract attention was SHENZHEN QINGNIAN BAO. It represented the sum total of the rebellion of a generation of youth filled with a sense of responsibility. It was a rebellion against society and self. One demonstration of this rebellion was criticism of the Lei Feng spirit. There was a strange phenomenon in China when Lei Feng was being promoted as a hero. You could talk about how Mao Zedong was "correct only 70 percent of the time," but you were not allowed to say that Lei Feng had made any mistakes. You could sing the praises of ideological liberation, but you could not disagree with the screw-in-the-machine ethic. This was so for a very simple reason. The Chinese Communist regime used a fanatical ideology to reduce people to the level of a screw in an old, ugly machine. To disagree with the screw-in-the-machine ethic was to fight against this

demeaning of the individual. SHENZHEN QINGNIAN BAO published a series of sharply critical articles, including "The Lei Feng Spirit and Modern, Outward-Reaching Youth," "Loosen Up the Screw and Take a Good Look," and "To Create Oneself Is a Happy Thing." The message was clear: "Give us back our minds!"

The response of the Chinese Communists' Central Propaganda Department was unequivocal. It sent out a red-letter warning to every newspaper and periodical not to publish discussion of any major topic without obtaining approval from government organs responsible for journalism. Naturally, Lei Feng was a major topic, and was off limits. In reality, this is a prohibition that the party has always forced on newspapers. Journalism reform should be approached gingerly.

However, the fact that SHENZHEN QINGNIAN BAO was able to loosen its reins and ramble freely proved that an opportunity had come along.

The object of the explorations carried out by these newspapers and periodicals during the limited relaxation was to obtain dignity for the individual and raise the value of the individual. Their effort was extremely influential. SHENZHEN QINGNIAN BAO in particular dared to publish bold articles by famous intellectuals that no other publication dared print.

Fang Lizhi addressed the key issue of China's reforms: "One-Party System or Two-Party System?"

An excerpt from an interview with Liu Binyan: "For the last 30 years, China has been carrying out a silent debate filled with blood and fears." Liu Binyan lamented: "Freedom has been decreasing not increasing in the 30 years since liberation." His words struck like a thunderbolt in hearts which had long since grown numb.

The anniversary of Mao Zedong's death is 9 September. On that date, SHENZHEN QINGNIAN BAO published an article entitled "There Are Three Mountains in China Which Must Be Toppled." This article bluntly stated that Mao Zedong Thought was a big mountain which weighed heavily on the Chinese people and impeded modernization.

In a column entitled "Chinese Public Figures Talk of Sensitive Chinese Topics," people voiced such opinions as "democracy that is granted to the people by officials has never been true democracy" and "one-party dictatorship can only lead to despotism." This column constituted a criticism of the "relaxation of restrictions" and the "liberalism" that official media had been trumpeting. For society, it sounded a note of warning.

At that time, SHIJIE JINGJI DAOBAO and the other three periodicals directly attacked the evils of the current system, traditional culture, and so forth.

Journalists clearly raised the slogan of "freedom of the press" during the 1989 democracy movement, which was considered unprecedented in the history of Chinese

journalism. What was unprecedented, though, was the size of the resistance represented by these publications. They resisted playing the role of slave and sought to take on the responsibility of journalistic freedom. They wanted to pave the way for democracy. This was a "petition for press freedom" written not on paper but acted out in the flesh!

In the wink of an eye, this thin little petition was ripped apart. During the campaign against "bourgeois liberalization," SHENZHEN QINGNIAN BAO and QINGNIAN LUNTAN were closed down and their editors and reporters were split up. SHIJIE JINGJI DAOBAO managed to survive, reportedly by grace of Zhao Ziyang's protection. XIANDAIREN BAO [MODERN MAN DAILY] retreated from its prior boldness and turned into a fake Modern Man.

It was not merely two newspapers that were closed down, it was the hope that people held for journalism reform. It was the hope that China would move in the direction of liberal politics. An old reporter wiped the tears from his eyes and announced to a crowd, "There is no hope for China."

The journalistic community has had to swallow a bitter pill. Just as they had begun to breathe life into their profession and feel a sense of pride, they were plunged back into the role of slaves.

However, recent events have catalyzed a maturation of the concept of freedom of the press. When university students held up copies of SHENZHEN QINGNIAN BAO (on which were printed interviews with Fang Lizhi and Liu Binyan) as they threw themselves into the student movement, they gave evidence of the role played by freedom of the press in stirring the hearts of a generation and spurring a sense of responsibility and pricking people's consciences. They also gave evidence of the strong role played by a free press in spurring people to convert their demand for democracy and freedom into action.

During the course of journalism reform, a delicately waged controversy was carried on between the "party nature versus the popular nature" of newspapers. The issue was settled at last by the party: "The party represents the people, so party nature and popular nature are the same thing." This pronouncement left journalism reform suspended on a rest note.

### Limited Opportunities

Not for a day has the cold aura of the "four cardinal principles" ceased to hover above the heads of the people. The most unbearable people are the ones who hold the power to interpret. They are like a merciless posse that chases after every publication that does any thing noteworthy. Thus, despite a torrent of promises about loosening control, experienced journalists dare not speak lightly of reforming anything. A journalist who had once been branded as a rightist and had spent decades being reformed through labor lamented, "As a

journalist, you have to remember at all times that you are caught in a Kafkaesque pincer. In these circumstances, when it seems that freedoms have been expanded, in fact the screws have been tightened down another turn."

It was in the grip of precisely this "Kafkaesque pincer" that these four newspapers and periodicals wrote their glorious page in the history of journalism. In retrospect, perhaps there were two main factors that brought about that vigorous burst of activity.

### 1. Unclear lines of authority weakened party control over the newspapers. This was one of the fundamental reasons why they able to do so much.

Practically all newspapers in China share a common denominator—they are party newspapers. Practically all newspapers must be under the aegis of either the party or some government department, a relationship referred to as "backing" [gua kao 2171 7237]. "Backing" means control—right down to which articles are to be printed and which are not, which page they will be printed on, their position on the page, and so on. Decisions regarding which articles to be printed are not made by the chief editor, but by the department which "backs" the paper, or even by someone higher up. The inescapable reality of "backing" bolsters the slave nature of newspapers. Of course, "backing" also means security. No matter how bad the newspaper is or how disgusting the readers find it, its doors will never close as long as it is "backed" by the party.

However, the aforementioned four newspapers and periodicals had one thing in common: They were not "backed" by any party organ, or at the very least, their relationship with their "backers" was unclear, so the roles of "controller" and "controlled" were weakened. For this reason these newspapers and periodicals had a certain character of being locally-run. This is one of the fundamental reasons why these newspapers were able to do so much.

Although SHENZHEN QINGNIAN BAO was the official newspaper of the Communist Youth League's Municipal Committee, the committee secretary at that time was a progressive and vigorous university graduate who had once argued that the Communist Youth League should be more independent of the party's leadership and more a part of society. With respect to SHENZHEN QINGNIAN BAO, he strived to handle it in accordance with newspaper principles, eliminating control by the League committee. Of course, during the campaign against liberalization, this was one of the big crimes he was charged with. It was said that he "neglected leadership duties and gave free rein to liberalization tendencies."

SHIJIE JINGJI DAOBAO is under the authority of the Shanghai Academy of Social Sciences, but its entire operational system is independent, and the chief editor is directly responsible for the newspaper. The only direct



connection between the two is that the newspaper's funds came from the Shanghai Academy of Social Sciences.

The young editors of QINGNIAN LUNTAN shrewdly chose Hu Deping [5170 1795 1627], son of party General Secretary Hu Yaobang in distant Beijing, as the publication's "supporter," thereby loosening even further ties with the Hubei Academy of Social Sciences, and these ties had been loose to start with. A short article by Hu Deping entitled "Sounding a Cannon in the Cause of Liberty" practically announced to the world the special relationship between them. It gave this publication a considerable degree of independence.

XIANDAI REN BAO kept refusing to accept "backing" on the grounds that it could not find an appropriate "backer." Later, it simply "backed" itself. It established a corporation, engaged in various business operations, and supported itself from its own income. This could be considered the embryonic form of an independent newspaper.

In fact, the "leadership of the party" had already become rather relaxed during those times of relatively vigorous economic reform, and the several links had already fallen out of the "backing" chain. For example, one party newspaper began to run another newspaper as well which was able to carry some very daring essays. This was a rare opportunity, but, unfortunately, many newspapers failed to take advantage of it. Put in different terms, you could also say that they hesitated and lost their chance. Privately run newspapers, an issue which was avoided in the course of journalism reform, were actually being operated. By grasping this opportunity, people were able to pursue their ideals.

## **2. Bringing together a group of thoughtful, highly qualified editors and reporters strengthened the locally-run character of these newspapers.**

All the editors and reporters in these newspapers and periodicals were very young. In SHENZHEN QINGNIAN BAO and QINGNIAN LUNTAN, these editors were, without exception, recent university graduates, and the contributors were mostly active young people. This created a situation in which thinking was very progressive. Someone exclaimed, "The hope of journalism reform in China is so young!"

After the gunshots of the 4 June massacre rang out, China's journalism reform was nipped in the bud, but people believe that the cry for freedom of the press will one day return across the vast territory of China!

## **Local Favoritism in Economic Court Cases Criticized**

90CM0301A Shanghai MINZHU YU FAZHI  
[DEMOCRACY AND THE LEGAL SYSTEM]  
in Chinese No 6, 12 Jun 90 p 2

[Article by Cong Yi (0654 5030): "Opposition to Local Protectionism in Economic Judicial Work"]

[Text] The narrow definition of economic judicial work generally applies to work on people's court cases which involve economic disputes. These include a series of judicial activities, such as placing a case on file for investigation and prosecution, collecting evidence, holding open hearings, and implementing court judgments.

So-called local protectionism in economic judicial work refers to when the court which is assigned the case shows favoritism toward local interests in violation of judicial principles. It ignores the facts, the law, and the overall interests of the party and state. It improperly executes its judicial powers, through its conduct or misconduct, and deliberately damages the legal rights of the other litigant. Such actions most commonly take the following forms: 1) Outside businesses have trouble filing cases locally; local court staff often evade their responsibilities. 2) Local staff assure outsiders that settlement is easy; then those handling the case search for pretexts to manage things which do not need managing. 3) You handle yours and I'll handle mine; when authority overlaps, local authorities try to gain control. 4) Documentation is collected not to impartially adjudicate and clear the case, but to help local interests. Local courts keep helpful evidence and discard the unfavorable portions. 5) Local staff create false documentation, and those handling the case let things go unchecked, and mix the spurious with the genuine. 6) Supporting documentation submitted by outsiders, although accurate and ample, is either ignored or not accepted. 7) When mediating, case handlers clearly stand on the side of the locals, even to the point of brazenly proposing unfair mediation, and then dragging the case out when the other side does not accept it. 8) When the local side is the debtor, the case is delayed as long as possible. 9) Although a judgment is reached, local courts refuse to actively carry it out, so that an outsider cannot recover his money for a long time. 10. When an outside court comes to a local court to handle a case, the local court does not offer support or coordination, and may even deliberately create obstacles and problems.

On the surface, it appears that under local protectionism one side benefits and the other loses, both to an equal extent. It appears that, since it all stays within the country, like beef that remains in the pot even after it has been cooked down into pieces, it does not harm the nation as a whole. However, serious analysis reveals that it does do very great harm.

First of all, according to our national constitution and the provisions of organic law of the People's Court, all courts in the nation are components of the entire national judicial system, and their authority is the judicial power bequeathed by the state. For this reason, although local courts are established locally, they should not represent local areas and furthermore should not merely protect local interests. If they engage in local protectionism in economic judicial work, then they are using national judicial powers to obtain illegal benefits. The inevitable result has been the disruption of the

unified legal system. Second of all, when judicial staff practice local protectionism in their economic judicial work, they harm the legal interests of outsiders in exchange for illegally benefiting local interests. The inevitable result has been the violation of party and national policies and principles, damage to the state's economic plan, and disruption of the economic order.

Local protectionism in economic judicial work is in reality an expansion of individualism. Some judicial staff of various courts yield to guidance or pressure from administrative leaders, some are enticed by various interests, and some become ensnared in all kinds of relationships. Local protectionism in economic judicial work harms the reputation and the image of the People's Court and its justices.

There are many sources of local protectionism in economic judicial work.

First, the regional nature of the courts is an objective source of local protectionism in economic judicial cases. Despite the fact that judicial staff of local courts are supposed to carry out their work as authorized by the state, they and their families do, after all, make their livings locally. From the court's point of view, its human and material resources are totally under local control. The People's Court and its personnel are inextricably linked with local areas. Such links create a breeding ground and an environment for the growth of protectionism. Second, the subjective root of such local protectionism is the low level of legal consciousness of the people. We have a substantial number of leading cadres who are still not accustomed to rule by law, and they often rely on their power to disturb and interfere in judicial work. We also have quite a few citizens who are not accustomed to rule by law, and often they only accept those laws that benefit them.

In addition, the state's system for managing judicial workers is also abused. Local courts have control over the rights of court cadres, as well as the authority to mete out punishment. Yet how can you punish someone for practicing local protectionism when that person has made a "contribution" to the local area?

What is urgently needed is strict and effective improvement of the regulations governing litigation procedures for economic judicial work. For example, there is still no regulation governing the time limit for trying a case once it has been filed. Even though a case may be rather simple, the court can refuse to resolve it for three or four years. In disputes over economic contracts, courts often disagree over where a contract should be signed and executed. In civil litigation, one can still find ambiguous concepts and rules which easily give rise to different interpretations, and thus disagreements. Thus it is essential to work on external supervision of judicial activities. According to the constitution, the People's Procuratorate is designated as the supervisory organization for legal matters. In order to fight local protectionism, we must first implement a procuratorial supervisory system

for economic judicial work. At the same time, we must carry out standardized management of judicial staff, enforce strict discipline, and strictly administer the law against and not tolerate violators.

At present, local protectionism in economic cases exists in local courts at every level, and it has become an accessory to the disruption of and damage to the socialist economic order. We must arouse the highest attention of the party and the people and resolve to stop it. Some party and administrative leading cadres must break out of their own little circles and, for the good of the state and of the whole, cease to be the protectors of local protectionism in economic judicial work.

### Brief Analysis of Nostalgia

90CM0394A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 119, 15 Jul 90 pp 52-55

[Article by Liu Feng (0491 6912), of the Huazhong Normal University Politics Department: "The Nostalgic Feelings in Society Examined"]

[Excerpts] [passage omitted] Those with nostalgic feelings for the past are thinking mainly of the 1950's, 1960's, and 1970's, especially the 1950's and 1960's. The nostalgic feelings are unevenly distributed among different social groups and strata. With regard to age, only people of 35 and over may have such feelings. According to observations and interviews, it seems that older people are more nostalgic for the past. People who were born in the late 1960's had not experienced the 1950's. During the 1960's and 1970's, they were studying in schools and lacked direct experience and independent views about society. Therefore, these decades are obscure and strange to them and cause no nostalgic feelings. With regard to occupations, although such feelings are shared by all occupational groups, they differ in degree. Generally speaking, workers and peasants have stronger feelings of nostalgia for the past than individuals who work on their own and the intellectuals.

Of course, people are not nostalgic about any and all things and phenomena of the past. They are thinking mainly of the following:

**First, the stable prices of the past.** [passage omitted] When prices are mentioned, people often shake their heads and complain, "Have prices gone up again?" "Money goes fast!" These remarks are heard often. People who have come through the 1950's and 1960's, a period of "low wages and low prices" but also of material shortages and poverty, miss the stable prices of that period and cannot help talking about it: "One yuan of the past is worth five yuan today." "Our monthly wage was only 40 to 50 yuan, but it was enough to support a family." Some even say that they would forego wage increases, if prices would stop rising.

**Second, the party's work style and social atmosphere of the 1950's and 1960's.** [passage omitted] It is undeniable that there is serious corruption among some party

cadres. As to the social atmosphere, money worship, the revival of some ugly and rotten phenomena of the old society which were stamped out after the founding of New China, and so forth, have long been cause for concern, anxiety, and uneasiness in the entire society.

[passage omitted] People who lived through the 1950's and 1960's often think of the work style of cadres during these two decades. At that time, cadres were one with the masses. Eating, living, and working together with the masses, they set an example, remained uncorrupted, and were concerned about the weal and woe of the people. In view of the serious corruption and degeneration of some cadres today, people are even thinking of the way cadre's work style was rectified through political movements in the past and hoping that a political movement can be launched now to eliminate the corrupt and rotten elements. In contrast to the extreme egoism of certain people today, one recalls the dedication of the young people in the 1950's and 1960's, who willingly followed arrangements by their organizations, took the lead in going to the mountains and border areas and grasslands, and worked where the country needed them most.

**Third, the social stability of the 1950's and 1960's.** [passage omitted] The demand for stability and security is especially strong today in all social strata of China. People often compare the present with the 1950's and 1960's. In sharp contrast to the social disorder today, there was no crime, and personal safety was guaranteed.

**Fourth, the welfare and guarantees under the old system.** [passage omitted] One can no longer "eat out of the big pot"; medical expenses are no longer reimbursed in some places; and there is also the threat of becoming unemployed. So, in reformed areas and units, some people are thinking of the system, under which there was no need to worry about unemployment or dismissal, as the state took care of everything, including childbirth, old age, illness, and funeral arrangements. In areas and units where reforms have not yet been introduced, people fear that reforms will be imposed on them eventually.

**Fifth, the false fairness of the "big pot" system.** [passage omitted] Because of the serious unfairness in income distribution among different social strata today, many people simply long for the so-called "fairness" of egalitarianism. They feel that "rich or poor, everyone should be the same," as they were in the past. [passage omitted]

It is not accidental that feelings of nostalgia have appeared in the course of reform. There are both subjective and objective reasons.

From an objective viewpoint, the social mood is always a reflection of the objective social process and is based on social realities.

In the past few years, prices have risen sharply, and "speculative buying and reselling" have particularly spiraled prices to new heights, causing strong resentment among the people. The impact of rising prices on the

people's living standard is undeniably an important reason for them to think of the low wages and low prices of the 1950's and 1960's.

The unhealthy party style and social atmosphere are the phenomena which have caused the greatest concern and incurred the deepest hatred of the masses for many years. Serious phenomena of corruption are found in some party cadres, for example, bureaucratism, using one's power to seek personal gain, substituting power for law, and so forth. This is causing the greatest anxiety and dissatisfaction among the masses. The questionnaires in a survey of 435 Beijing residents conducted by the Beijing Social Investigation Office in 1988 revealed that, of the problems the masses were most worried about, the first was "party cadres violating law and discipline, using their power to seek personal gain, and breaking the law themselves while enforcing it on others"; the second was "leading cadres using their position and power to engage in official speculation to line their own pockets." A survey of 2,800 residents of 40 cities conducted by the investigation system of the China Structural Reform Institute in April 1988 showed that, of 16 most-resented problems, "cadres using their power to seek personal gain" ranked first, and that, of eight problems that most urgently needed solutions, the first was to rectify the party's work style and social atmosphere. In a survey conducted by the Sociology Institute of the Chinese Academy of Social Sciences and the State Statistical Bureau in August 1988, "unhealthy party style" was the top answer to the question "what problem most urgently needs solution in our political life." All this shows that the broad masses urgently demand solutions to corruption in party and government.

In the past few years, the social atmosphere has also deteriorated. The need for "connections" to get anything done, giving dinners and sending gifts to curry favor, and offering and accepting bribes are now commonplace. On the question of morality, cheating, swindling, making and selling of shoddy and fake goods, money worship, and other chaotic phenomena are on the rise. Prostitution, visiting prostitutes, kidnaping, drug addiction, crime gangs, and other corrupt phenomena of the old society which were stamped out are coming to life again. The people are extremely worried and uneasy about these things.

There are also subjective reasons for the nostalgic feelings in society, which are related to the people's psychology. An in-depth analysis of the people's feeling toward the reforms shows that most people still retain remnants of the inertia formed under the old system, and that they still lack a sense of pride, construction, opening up new frontiers, and blazing new trails in the course of the reforms.

China's structural economic reform is proceeding step by step on a rather weak social psychological foundation. For a long time, China has maintained a system under which the welfare of urban workers and staff members is guaranteed from head to foot and from birth to death.

With the egalitarian distribution system, under which workers and staff members eat out of the same big pot of enterprises, plus the misinterpretation of socialism and the one-sided propaganda, it has become right and proper for prices never to rise or fluctuate, workers never to lose their jobs, and enterprises never to go bankrupt. According to the findings of a nationwide survey, 84.1 percent of the people feel that "it is still the present system, which guarantees old-age and medical care, that is more reassuring," and 54.6 percent of the people indicate that, "so long as they are guaranteed a livelihood, care during childbirth, old age, and illness, as well as funeral arrangements, it is all right if living standards remain pretty low." Even among the young people, 65.6 percent think that "the state should take care of all aspects of the people's lives." [passage omitted]

Because the national educational level is not high, with more than 200 million illiterates and semi-illiterates, the level of the people's social understanding is quite low. And this has a concrete impact on the reform. When reform is confronted with twists and turns, some people often feel a sense of helplessness and fail to look for new routes and better ways to push the reform forward. This also makes the feelings of nostalgia unavoidable in the course of the reform. For example, in the face of the unhealthy party style and the serious corruption of some party cadres, people fail to see clearly that the way to eradicate corruption and prevent it from occurring is to strengthen democracy and the legal system and perfect the system to keep the government honest and the various means of supervision by the people. Instead, they often think of the "Mao Zedong era," when political movements were launched every few years to rectify the party's work style and punish the corrupt. This feeling is rather widespread.

### Youngsters Perplexed by Pornography

90CM0351A Shanghai SHEHUI [SOCIETY]  
in Chinese No 64, 20 Jun 90 pp 15-16

[Article by Li Ming (7812 2494): "The Puzzlement Over 'Pornographic Filth'"]

[Text] The spring breeze of reform and opening up has blown open China's closed door and injected new blood into this ancient yellow soil. A vast tide has been unleashed in the mysterious, forbidden area of sexual culture. The opening of a free market in culture enables those who want to to set up exchanges. Whether we want it or not, there is actually no way to avoid it. People's sexual concepts have begun to change. A dazzling foreign sexual culture is unfolding before our eyes. As we assimilate and "import," we find it hard to avoid mixing the good with the bad.

The intermediary role of the commodity economy has resulted in some people smuggling, peddling, and distributing pornographic and obscene materials as a way to "rake in" money and "get rich first." They further stimulate the development of a consumer market for

pornography. "Pornographic filth" pours forth like a turbulent mountain torrent after the dam has broken. Even though government organizations have made repeated injunctions against it, prohibition has not resolved the problem.

### The Sexual Undercurrent Perplexes People

Circulation of sexual materials has always been prohibited. Precisely because their circulation was prohibited, their social status multiplied. Scarce things are more valuable. The harder something is to get, the more it stimulates the desire of the consumer. Before it was banned, *Meigui Meng* [Rose Dream] went unnoticed by many people; when people learned that the book was banned, it sold out as quickly as it could be grabbed up.

Here we might as well record some scenes:

Scene One: A certain unit was showing the videotape *Lady Chatterley's Lover*. People crowded outside the door waiting for returned tickets. A woman had an extra ticket and, as soon as she opened her mouth to shout returned ticket, she was hemmed in by people. In total disregard of everything, one shouted one yuan, another shouted five yuan, as if they were rushing to purchase a treasure.

Scene Two: A writer saw a copy of Lawrence's *Lady Chatterley's Lover* in a bookstall. She paid the price of the book. The proprietor wanted to add an unsalable book. "Why?" "Don't you see what book this is? Don't you catch on?" The proprietor turned to the introduction and said, "If you read this, you will understand. This is a book about sex; it is the most salable in society." When the writer heard this explanation, she understood his reasoning right away.

This type of thirst to understand sex gives objective impetus to the formation of the sexual undercurrent.

In recent years, there has been an endless stream of cases of producing, reproducing, peddling, and distributing obscene materials. Repeated prohibitions have not resolved the problem. Even though the public security organizations have severely attacked it, the results have been meager. Not only has it not disappeared, but, on the contrary, it has shown a rather substantial increase.

In 1986 the Shanghai Municipality confiscated 14,182 various pieces of obscene material; in 1987 it confiscated 170,739 pieces, and in 1988 the number increased to 265,951. In the three years from 1986 to 1988, the amount of obscene material confiscated increased at an annual rate of 56 percent. The amount confiscated in 1989 showed nearly a 400-percent increase over 1988.

### The Freedom of Female Students

A large volume of facts indicate why the sexual undercurrent has run rampant. An important reason is that for a long time there was a repressive feudalistic consciousness about sex. People approached sex as a closely guarded secret. Talk about sex is changing. We looked



upon nude paintings as obscene material. Sex education and sexual knowledge were not popularized, and young people had very little knowledge about sex. When they saw literary works, movies, or television shows which described sexual love, they often could not control themselves. Some even went so far as to imitate some of the plots in search of sensual stimulation. After one 17-year-old youth saw a rape scene in the videotape *San Hu* [*Three Tigers*], he went out and raped a woman. After reading *Shaonudi Xin* [*A Young Girl's Heart*] and a sexual hygiene book, an excellent, morally upstanding middle school student came up with the idea of creating a love story. When he was discovered by the public security organization, he had already completed over 40,000 words. In order to write this book, he had also personally "experienced life." A young woman reflecting on the appearance of the secondary sexual characteristics of her womanhood said, "I wanted to understand the opposite sex, so I borrowed a hand-copied book from a classmate. After I read it, I could not sleep very well, so I read it again. I discovered that men and women the world over are so interested in each other that they yearn for one another. There are still many secrets to this." She went astray trying to reveal these secrets.

#### **They Are Blinded by Greed, Mesmerized by Wealth, and Act Recklessly**

If you walk down the street slowly and observe carefully, you notice there are always strange and mysterious people in front of some music and video departments. They generally congregate in groups of three to five. Often they hawk their wares to passersby in a treacherous way: "Friend, do you want a tape?" They boast about how good their merchandise is and how reasonable their prices are.

Some lawless people even use people's curiosity about sex to sell obscene videotapes and obtain exorbitant profits.

Scene Three: In the Yangpu District an unemployed person named Wu waited for someone to slip him over 30,000 yuan to go to Guangzhou and Fujian and purchase a color movie, four video cassette recorders, and over 1,000 blank tapes. After he returned to Shanghai, his partner, an elementary school teacher named Duan, reproduced them at home for Wu to sell. In a little over a month's time, they reproduced over 1,100 obscene videotapes and made a profit of over 8,000 yuan.

Scene Four: Criminal H was apprehended after he had taken 20,000 yuan to Fujian to purchase 1,350 obscene videotapes, which cost 10 yuan apiece. He had hired a truck to transport them to Shanghai. Adding the truck rental to the cost of the tapes, the criminal's total cost was about 20,000 yuan. If he could have sold all of the tapes, he could have made a profit of about 50,000 yuan. Even if he had sold them at the low price of 25 yuan a tape, he still could have made a profit of 20,000 yuan.

Scene Five: Zhang had delicate features. Originally she was employed in a certain hotel. Later she changed jobs

and joined a ring of vendors in Guangzhou and such places. After she returned to Shanghai, she was introduced to an individual bookstall proprietor named Wang. After Zhang learned that Wang wanted some obscene books, she quickly went to see her Guangdong friend and arranged to get nine obscene magazines and two obscene videotapes. After she returned to Shanghai, she sold them to Wang and others and made a profit. Zhang, having profitted from her first sale of obscene books, later took her funds to Guangzhou to buy 15 picture albums. She was unexpectedly apprehended by the Shanghai public security organization, did not receive the obscene materials, and was given a warning as punishment. Zhang saw that not only did she not make any money engaging in such activities, but she also lost her capital. Why wasn't she willing to quit? Instead she hurried to Wang's to collect some funds and prepared to go to Guangzhou a third time to "snap up" some money. One week later she muddled through a customs station and came back with a profit of 500 yuan. Blinded by greed, Zhang became more and more involved; finally she was thrown into prison.

#### **Pulling People Under by Crafty Means**

Young people are in a period of rapid psychological change and sexual awakening. They become more physically mature each day, but they still are not psychologically mature. In addition, traditional cultural taboos toward sex mean that young people cannot get normal guidance on sexual knowledge. Unlawful elements use these very characteristics to lure young people into crime.

Scene Six: A young girl who had just turned 15 experienced the first awakening of love. She longed to pull back the curtain on the mysteries of the opposite sex. At this time she met a video technician at the children's palace in a certain district. Who knew that this technician harbored evil intentions? He collected revealing scenes from various sexually explicit videotape programs, compiled them into a collage, and showed them to the young girl. He then stood by and provoked and enticed her. The young girl could not endure this type of sexual provocation and ended up being seduced and destroyed.

Scene Seven: Hong was in charge of the dining room of a certain club. A 20-year-old woman worked for him. A few times he had suggested transferring her to hotel work. On the pretext of acquainting her with the hotel, Hong took her home. At that time some people were at his home watching an obscene videotape. Once this young woman was lured into watching the videotape, she was unable to escape the den of monsters and was raped and violated.

#### **The Contrasting Phenomenon of Curiosity**

The vast majority of those in society who are targeted by the spread of "pornographic filth" are young people. Most of them start out of curiosity. Because internal and

external factors such as ideological viewpoint, educational upbringing, psychological state, self-control, and surrounding environment differ from person to person, people's resistance to "pornographic filth" also differs. Some are used by people, some degenerate, and some are not thought of again.

Scene Eight: A college graduate was truly enthusiastic about his work after he was first assigned to a construction company as a technician, and he was often commended as a model worker. However, after a little while he lost his enthusiasm for work and was in a trance. He who had yesterday been full of youthful vigor had now become dejected and apathetic. When he first heard that obscene books could be rented, he paid 2.5 yuan to borrow one and took it home to read out of curiosity. Later he often rented them. Once he started, he could not stop. In two short months he spent as much as 200 yuan. Normally he thought only of the obscene plots. He could not sleep at night, his mind was not on his work, and he was dispirited. When the organization became aware of this, they asked him what the reason was. He said, "I don't know. After I read these books, I can't get my mind off them. I can't get my spirits up at all."

#### **Using Blocking and Guidance Simultaneously To Eradicate the Market for Spreading Obscenity**

The spread of "pornographic filth" is rampant; it endangers society and pollutes the environment. Because of this, the whole country is concentrating on the struggle to "clean up pornography" and eliminate the "six pests." In a few months many unlawful elements have been attacked and many obscene materials have been confiscated. The results have been remarkable. However, the spread of "pornographic filth" cannot be resolved by a couple of concentrated attacks. It is a long-term, formidable task. Although we want to attack crime and block the circulation of obscene materials, it is more important to adopt methods to clear up misunderstandings. We should enhance education of scientific sexual knowledge and use the media to assist and guide people in improving their level of appreciation and healthy life interests. By eliminating people's feeling of mystery about sex, the sexual sphere will no longer be a restricted area cut off by feudalism and ignorance. In this way, obscene materials will gradually lose their distribution market.

### **REGIONAL**

#### **EAST REGION**

##### **Anhui Holds Meeting on Newspapers, Periodicals**

*OW1410230690 Hefei ANHUI RIBAO in Chinese  
17 Sep 90 p 1*

[By reporter Ma Biling (7456 3880 3781)]

[Text] On the eve of launching the annual all-out campaign for subscriptions to newspapers and periodicals, a

provincial meeting on circulating newspapers and periodicals, which was sponsored jointly by the provincial posts and telecommunications administration bureau and ANHUI RIBAO, was held in Hefei 11 to 12 September. The meeting specifically studied the question of newspaper and periodical circulation next year, and required that next year's total subscription to newspapers and periodicals in various localities be increased by about 10 percent over that of this year, and that great efforts be made to boost the subscription to party newspapers and periodicals to the level of 1988 or above.

Attending and speaking at the meeting were Yang Yongliang, deputy secretary of the provincial party committee; Dou Yongji, deputy head of the provincial party committee propaganda department; and Wang Jiarui, Director of the Newspapers and Periodicals Distribution Bureau of the Posts and Telecommunications Ministry.

Comrade Yang Yongliang said that this meeting on circulating newspapers and periodicals has summarized the experiences in circulation, and analyzed the ways to promote and guarantee newspaper and periodical circulation in the new current circumstances. All this is very necessary.

He said that increasing the circulation of party newspapers and periodicals is an important way to strengthen political and ideological work. Our comrades fully understand that party newspapers and periodicals are the mouthpiece of the party, the government, and the people, and are the bridge that link the party and government to the broad masses of people. Newspapers, radio, and television have been instrumental in reporting the line, principles, and policies of the party Central Committee; policy decisions and measures adopted by the provincial party committee to implement them; appeals by the masses; and new conditions, problems, and experiences in various aspects. Therefore, valuing the role of newspapers and periodicals has been our party's tradition. Especially in the present situation, doing a good job in organizing the work of circulating party newspapers and periodicals will have greater significance. After making investigations and studies, the provincial party committee recently adopted the policy decision on expediting the development and opening up of areas along the Chang Jiang, which was publicized broadly throughout the province and beyond through newspapers, radio, and television stations, and attracted many keen responses. There are many more good experiences and examples in our province that need timely dissemination through party newspapers and periodicals. For instance, the party branch in Xinzhong Village, Shitai County, was among the three models of good grassroots party organizations designated recently by the central Organization Department. Similar advanced models of different types and good experiences in the development of spiritual and material civilization in various localities throughout the province need to be publicized by the mass media, including our party newspapers and periodicals, to boost our morale, lift our spirits, and enable us confidently to follow the socialist

road under the party's leadership and promote Anhui's development. In addition, we now are experiencing many problems, such as irregularities in party work style, particularly problems in the course of building an honest government, and mistakes in our work, which must be exposed and criticized by party newspapers and periodicals, so that the ideology and work style of our leading cadres at various levels can be further rectified. In short, we have a lot of work to do now. To implement fully the line, principles, and policies of the party Central Committee, do a good job in all fields of work in light of Anhui's actual conditions, and strengthen ideological and political work, it is necessary seriously to attend to the work of circulating party newspapers and periodicals, which should be regarded as an important mission. This will ensure that propaganda through newspapers and periodicals functions effectively. The work of circulating party newspapers and periodicals should not be seen as solely that of distribution departments. Party committees at various levels must take serious interest in it. Party committee propaganda departments should pay particular attention to making it a success, and relevant departments at various levels should give their strong support to the work.

Yang Yongliang said that categorical guidance is needed to ensure success in circulating newspapers and periodicals, which is not balanced throughout the province. Some prefectural and city leaders have paid attention to this work, hence greater progress in those areas. In other prefectures and cities, progress is relatively slow. When implementing the guidelines of this meeting after returning home, the attending comrades should analyze circulation work in their own localities, conduct investigations and studies to understand their strengths and weaknesses, and determine the areas that require better coordination in their work. The most basic issue is the question of understanding. We should guide the people to be more concerned with major state affairs and to understand in good time the line, principles, and policies of the party, as well as their implementation. In the current circumstances, we feel a more pressing need to increase our understanding of ideology and policies, firmly follow our socialist direction, bolster our faith in communism, and fully implement the party's basic line. All this calls for intensified efforts in study and research. Therefore, when promoting circulation of newspapers and periodicals after returning home, comrades should not make appeals in general terms, but should unify their thoughts and give categorical guidance after making investigations and studies.

He said that posts and telecommunications departments, propaganda departments, and relevant units must coordinate closely to successfully accomplish the goal in newspaper and periodical circulation. To produce good newspapers and periodicals, party newspapers and periodicals should not only follow a firm and correct political direction, but also should continuously improve their propaganda effects to satisfy the readers in general. Meanwhile, greater efforts should be made in the work of

circulation. It is necessary to do a good job of propaganda, promote circulation, and rely on the efforts of all quarters to create a new situation in newspaper and periodical circulation. Comrades of all fields should work in unity and closely coordinate with one another. Of course, the major channels are the posts and telecommunications departments. All departments should regard the work of circulating newspapers and periodicals as an important task, as if it were their own work. We should promote further the development of material and spiritual civilization in Anhui, and expedite the reform and opening up of Anhui to the outside world through improving the circulation of party newspapers and periodicals.

The meeting maintained that, to do a good job of newspaper and periodical circulation in 1991, it is imperative for all concerned to be thorough, meticulous, and practical. First, propaganda should be created to promote circulation. After this meeting, all localities should report the meeting guidelines to the responsible comrades of their respective party committees and governments, and get their attention and support for this task. All localities should launch extensive propaganda campaigns in various forms. They should establish teams of full- and part-time distributors and form comprehensive distributing networks of newspapers and periodicals in various areas. During the period for accepting subscriptions to newspapers and periodicals, propaganda departments, as well as posts and telecommunications departments at various levels should devote some manpower to this work, organize and depend on the efforts of all social sectors, and implement a system of shared responsibilities among different sections at various levels. Second, attention should be paid to solving fund issues. When emphasizing the need to reduce administrative expenses, they [all localities] should not reduce the subscription fees of newspapers and periodicals, particularly the subscription fees of party newspapers and periodicals. They should strictly control and use the funds for books and newspapers for cadres, workers, and staff. They also should raise funds through various ways. Third, it is necessary to guarantee the circulation of major newspapers and periodicals so they will promote the circulation of newspapers and periodicals in general. Publication of party newspapers and periodicals should be guaranteed first. Subscription efforts should be properly controlled. All localities should regulate specifically the sizes of subscription to party newspapers and periodicals at various levels and guarantee attainment of the set targets. Fourth, it is necessary to work harder on the weak links and bridge the gaps in circulation. In the newspapers and periodicals subscription drive this autumn, all localities should sort out the situation and know the localities and units whose subscriptions of newspapers and periodicals have remained low over the years or that have dropped drastically in the last two years. These localities and units should be helped to analyze the causes, and various measures should be studied to increase subscriptions. All localities should check seriously if there are any grassroots units that have

not subscribed to any party newspapers and periodicals. Every effort should be made to bridge all the gaps in circulating newspapers and periodicals and ensure that all literate masses in all grassroots units have access to party newspapers and periodicals.

Attending the meeting were more than 230 people from all parts of the province, including directors of prefectural, city, and county propaganda departments; heads of subbureaus and distribution sections of prefectural and city postal administrations; heads of county posts and telecommunications bureaus; and 18 large enterprises.

Attending and speaking at the meeting were responsible comrades from the provincial posts and telecommunications administration bureau, the provincial media and publication bureau, and ANHUI RIBAO. Also attending the meeting were responsible persons from ANHUI GONGREN BAO, ANHUI KEJI BAO, and ANHUI QINGNIAN BAO.

#### Shanghai Hosts Exhibit of Xia Yan's Literary Works

OW1210125190 Beijing XINHUA in English  
1033 GMT 12 Oct 90

[Text] Shanghai, October 12 (XINHUA)—An exhibition of works by noted cultural figure Xia Yan will be held from October 15 to 24, a local official told XINHUA today.

The exhibition, marking Xia's 90th birthday, will be divided into three parts: introduction to his career, his representative works and studies on his works.

The official said that this will be the second time for the city to hold such an exhibition. The first one was held last November for novelist Ba Jin.

Xia has written novels, plays, and reportages, including *New Year Sacrifice*, *The Lin Family Shop*, *Under Shanghai Eaves*, and *Contract Labor*.

Meanwhile, the biographical film, *Xia Yan—One of China's Ten Top Cultural Figures* will be shown at some future date, according to the official.

#### CENTRAL-SOUTH REGION

##### 10th Yao Autonomous County Established

OW1610081290 Beijing XINHUA in English  
0707 GMT 16 Oct 90

[Text] Nanning, Oct 16 (XINHUA)—A new autonomous county of the ethnic Yao nationality was established Monday in the Guangxi Zhuang Autonomous Region in south China.

The Gongcheng Yao Nationality Autonomous County has become the tenth Yao autonomous county in China.

The Nationalities Committee of the National People's Congress and the State Nationalities Affairs Commission sent people to the county to offer congratulations.

In the county, which has a population of more than 260,000, people of the Yao nationality account for 47.76 percent.

The Gongcheng area is populated by members of the Yao, Han and Zhuang nationalities. The main line of production is agriculture in addition to mining.

Xiao Fangzuo, the county magistrate, said that since 1979, his county has greatly pushed up economic development and the life of its residents has been improved.

The Yao nationality is distributed mainly over Guangxi, Guangdong, Hunan, Yunnan and Guizhou. There are about 2 million people of the Yao nationality in China, and 1.23 million of whom live in the Guangxi Zhuang Autonomous Region.

#### NORTH REGION

##### Shanxi Targets Rectification of Rural Party Branches

HK1210080190 Taiyuan SHANXI RIBAO in Chinese  
15 Sep 90 p 1

[Report by correspondent Meng Fugui (1322 4395 6311) and reporter Ding Weiyue (0002 0251 6460): "Organization Department of Provincial Party Committee Holds Meeting To Exchange Experience in Rectifying Less Advanced Rural Party Branches"]

[Text] In the next two or three years, particularly in the coming winter and spring, much effort should be exerted in various places to rectify less advanced rural party branches and earnestly strengthen the building of rural party organizations at grassroots levels, so as to lay a solid foundation for deepening rural reform, stimulating rural economic development, and building spiritual civilization. This is the demand put forward by Comrade Zheng Shekui, director of the Organization Department of the provincial party committee, to party organizations and organization departments at all levels across the province at the provincial meeting to exchange experiences in rectifying less advanced rural party branches which started on 13 September.

Since the start of the provincial drive to rectify less advanced rural party branches more than one year ago, as a result of concerted and unremitting efforts of party organizations at all levels, remarkable results have been achieved, with a total of 3,821 less advanced party branches being rectified, 2,487 of which have been reorganized in light of various conditions, and 1,770 branch secretaries and 3,274 party branch members have been elected. Through readjustments, the leading bodies of less advanced party branches have increased in vitality, their age and cultural setups have been definitely improved, their overall functions have improved



somewhat, and their combat capability has markedly increased. With 652 branches becoming advanced party branches in one stretch and 1,532 transformed into second-class party branches, the rate of transformation has reached 57.2 percent.

The past year's practice has accumulated experiences for rectifying less advanced rural party branches at the next stage. These experiences include: First, deepening our understanding is a basic prerequisite for realizing the transformation of less advanced party branches. Second, allocating cadres to party branches and selecting party branch secretaries are the key links to transforming less advanced party branches. In various rural organizations at the grassroots level, party branches are in the position of the leadership core. If we have good party branches, however bad the conditions and however numerous the problems, we can change the outlook and catch up as quickly as possible. Party branch secretaries are the "monitors" of party branches. If party branch secretaries are well chosen, however numerous the contradictions in less advanced villages and however tangled things may be, a favorable turn can soon occur and new prospects will be opened up. Accordingly, allocating cadres to leading bodies of party branches is the key to rectifying less advanced rural party branches; and selecting party branch secretaries well is the most crucial key of all. Third, amplifying and perfecting various rules and regulations is an important guarantee for consolidating the results of rectification and effecting thorough transformation. After the rectification of ideology, organization, and work style, only by amplifying and perfecting various rules and regulations can rectification results be consolidated and the label of backwardness be cast off. Fourth, dispatching work teams to help with rectification is a necessary condition for achieving transformation. The practice of rectifying less advanced rural party branches over the years has indicated that, in so far as less advanced party branches are concerned, which are a special object, external causes are not only a condition for change, but also an indispensable, important factor for stimulating their transformation. Only by selecting and dispatching high-quality work teams that work conscientiously and with correct methods, can we achieve good results and effect rapid changes.

The next task of rectifying less advanced rural party branches is to rectify over 6,000 less advanced party branches in over 10,000 less advanced villages across the province in three years' time. The concrete measures are to be carried out in three stages: Starting with the fourth quarter of this year, party branches in 5,000 less advanced villages will be rectified in the first year, another 5,000 will be rectified in the second year, and concentrated efforts will be made in the third year to rectify and improve those party branches that still lag behind even after rectification. We should strive to complete rectification by the end of 1993. The guiding ideology for rectification is to take the party's basic line as the guiding principle, closely focus on rural economic construction, stress ideological rectification, and predominantly grasp well the building of leading bodies and

the selection and allocation of party branch secretaries. It is necessary to integrate the rectification of party branches with efforts to shake off poverty; bring order out of chaos; develop the collective economy; continuously enhance party branches' cohesion, appeal, and influence; and bring into play the roles of party branches as the core of leadership and fighting force in building the two civilizations in the rural area, and the exemplary vanguard role of the vast numbers of party members. The Organization Department of the provincial party committee calls for the fulfillment of the following five tasks: First, conduct ideological education in the whole process of rectifying less advanced party branches, emphasizing ideological rectification and stepped up education. Second, strive for the building of high-standard leading groups of party branches and, in particular, the selection of good party branch secretaries. Third, take helping with the development of rural economy as an important aspect of the work of rectifying less advanced rural party branches. Fourth, attach importance to recruiting new party members and training rural cadres. Fifth, party organizations at all levels should conscientiously strengthen leadership over this work and grasp well its implementation at various levels.

This meeting was convened in Jiaocheng County. Responsible comrades of organization departments of all city and county party committees attended the meeting. Zheng Shekui, director of the Organization Department of the provincial party committee, made the report on 13 September.

#### **Nongovernment Research Institutes Operate in Tianjin**

*OW2209201490 Beijing XINHUA in English  
1555 GMT 22 Sep 90*

[Text] Tianjin, September 22 (XINHUA)—Non-governmental research institutions have developed rapidly in Tianjin, one of the three municipalities in China.

The city now has 298 non-governmental research institutions. Among them, 161 or 53.7 percent are run by collectives and the rest by individuals or private enterprises.

In 1989, their business volumes reached 34.47 million yuan, up 99.49 percent over 1988. And they also turned over 2.23 million yuan of taxes to the state in the same year, an increase of 112.5 percent over 1988.

At present, about 3,000 scientific and technical workers are working at these organizations in Tianjin. They account for 75.5 percent of the total workers in these organizations.

In recent years, two of their scientific research achievements won international invention gold medals, 40

achievements won national or municipal scientific progress awards, and 38 achievements won state patent rights.

Meanwhile, scientific achievements were applied in economic development, earning 100 million yuan (about 20 million U.S. dollars).

### North China CPPCC Work Forum Held in Tianjin

SK1310045790 Tianjin City Service in Mandarin  
1000 GMT 8 Oct 90

[Text] The fourth forum sponsored by the provinces and municipalities of northern China on lateral coordination in the work of the Chinese People's Political Consultative Conference [CPPCC] Committees opened in the guesthouse on the morning of 8 October.

Liu Jinfeng, deputy secretary of the municipal party committee and chairman of the municipal CPPCC Committee, attended the forum and delivered an opening speech.

Lu Zhichao, deputy secretary general of the National CPPCC Committee, attended the forum and extended congratulations on the occasion.

Li Huifen, vice mayor of the municipality, delivered a speech on behalf of the municipal party committee and the municipal people's government. In her speech, she informed the participating comrades of the municipality's situation and of the new achievements scored by various fronts across the municipality in conducting reform and opening to the outside world.

Beginning the afternoon of 8 October, the participating comrades will hold discussions on the draft documents of the national CPPCC work conference, voice their opinions on the documents, and exchange opinions on the state of affairs and experience gained by the CPPCC Committees of various provinces and municipalities in the work of implementing central Document No. 14 and the spirit of the National United Front work conference.

## NORTHEAST REGION

### Heilongjiang Reforms Conscription Procedures

91P30015A Harbin HEILONGJIANG RIBAO  
in Chinese 3 Aug 90 p 3

[Text] The provincial military district recently decided it will reform the work of drafting soldiers throughout the province. Over the years, the draft has been concentrated during a short period of time, moreover there were many procedures and steps, responsibilities were great, plus a great variety of factors which influenced the soldiers' quality in varying degrees.

This time our province's reform of the draft procedures will be carried out in four aspects. First is to change the intermittent national defense education into everyday

national defense education, using many forms and many mediums of communication to make it stronger, making the great masses of people all come to care about building a national defense, getting the youth to consciously undertake their national defense duties, enthusiastically signing up and joining the Army.

Second is to change the last minute, concentrated draft work into a full-time draft preparation. In normal times maintain good control over military registration, do the initial physical examinations and political investigations, decide on who is to be drafted, complete preregistration training and preregistration examinations in order to enhance our certainty about the situation of each person to be drafted.

Third is to increase openness and transparency, strictly guard against improper activities in the draft, resolutely work until certain that the selection of the draftees is open, the results of the physical examinations and the political investigations are made public, and the confirmation of soldiers is made public. At every level establish phones and mailboxes to report wrongdoing and to receive the masses' supervision.

Fourth is, while in the midst of reforming, step by step to create methods and organized work orders that are standardized, are in accordance with the local area, and are realistic; on top of that have binding laws and regulations, to make the draft more legal, standardized, and scientific.

The "Heilongjiang Province Draft Reform Implementation Program" distributed by the provincial government and the provincial military district requires that the whole provincial drafting procedure be reformed, with stress this year on succeeding with thirty-two counties' (cities and districts) experimental areas; it is to encompass the whole province; the province, prefectures (cities), and counties (districts) should make draft reform leadership groups, and earnestly improve the organizations' leadership to ensure smooth implementation of the draft.

### Heilongjiang Prepares for Local Elections

90CM0326B Harbin HEILONGJIANG RIBAO  
in Chinese 23 Jul 90 p 3

[Interview with Qu Shaowen (2575 4801 2429), deputy director of the Heilongjiang Election Committee: "Be Conscientious About the County and Township People's Congress Elections—Heilongjiang Election Committee Deputy Director Qu Shaowen Responds to Reporter's Questions"; date, place not given]

[Text] County and township people's congressional elections are a major event in the political lives of the people of Heilongjiang—something that everyone is very interested in. Our reporter interviewed Qu Shaowen [2575 4801 2429], deputy director of the Heilongjiang Election Committee and secretary general of the Heilongjiang

Provincial People's Congress, about certain issues in the upcoming People's Congress election.

[HEILONGJIANG RIBAO] What timetable and stages have been arranged for this people's congress election?

[Qu Shaowen] The overall timetable is as follows: The election for county and township people's representatives will take place before the end of 1990 and the first session of the new people's congresses will be convened before the end of February 1991. There is no uniform provincial requirement on when each locality must convene its people's congress. As for the election process, it can in general be divided into six stages: pre-election preparations, collection of publicity and educational information, voter registration, nomination and deliberation to select candidates, election of representatives, and the convening of the people's congresses.

[HEILONGJIANG RIBAO] What is the guiding ideology behind this county and township people's congress election?

This county and township people's congress election is guided by the spirit of the Fourth, Fifth, and Sixth Plenary Sessions of the 13th CPC Central Committee, and is based upon the Constitution, "Election Law," and "Local Organization Law." It is characterized by support for the four basic principles, opposition to bourgeois liberalization, full development of socialist democracy, conduct strictly in accordance with the law, respect for the will of the voters and representatives, and the guarantee of voters' and representatives' election rights and interests. The election will select politically astute county and township people's representatives who have strong legislative and administrative capabilities, are enthusiastic about the job, and enjoy immense popular support. It will also produce highly effective, honest, prestigious county and township leading bodies that will be devoted heart and soul to serving the people.

[HEILONGJIANG RIBAO] What special circumstances characterize this county and township people's congress election in comparison with the past several elections?

[Qu Shaowen] First, this election comes on the heels of the suppression of unrest and counterrevolutionary rebellion that occurred in Beijing as spring led into summer last year. This has provided a stable social environment for the coming election. Second, party policies have struck a chord with people because of the success of the Fourth, Fifth, and Sixth Plenary Sessions of the 13th CPC Central Committee and the thorough support for the spirit of those conferences. This has strengthened the ties between the party and the people and laid an excellent foundation for the coming people's congress election. Third, in the past few years understanding of the people's congress system has increased tremendously, and the people's representatives have earned widespread respect. Fourth, Heilongjiang's "383 projects" to bring commodity prices under control, its administration of public order, and the recent conclusion of trade talks between China, the Soviet Union, and

Eastern Europe have done much to promote social, political, and economic stability in the province and to provide a superb microclimate for the coming people's congress election.

However we must also be aware of certain unfavorable factors that still exist. These will require us to work actively to keep the election process functioning smoothly.

[HEILONGJIANG RIBAO] What principles must we uphold in the coming county and township people's congress election?

[Qu Shaowen] In the coming county and township people's congress election we must primarily uphold the principle of Communist Party leadership. We must act conscientiously in the spirit of the Fourth, Fifth, and Sixth Plenary Sessions of the 13th CPC Central Committee and adhere to and enforce all laws and regulations. We need to resolve quickly any major problems or ideological issues that arise in the course of the election process, and truly stimulate enthusiasm among the masses of voters. Second, we must uphold democratic and legal principles. We must handle matters strictly in accordance with the law in each step of this county and township people's congress election—in voter registration, nomination and deliberation to select candidates, the election of representatives, and the convening of people's congresses. No one has the right to rise above the law. As soon as any illegality is discovered, we must conscientiously redress the problem, and we must ensure that everyone is treated equally before the law. Third, we must uphold the principle of the reach and mass character of deputies to the people's congresses. In the spirit of this principle, the Standing Committee of the Heilongjiang Provincial People's Congress has passed the County and Township People's Congress Election Plan specifying requirements for the composition of representatives. We hope that all localities will be conscientious about adhering to this plan. In this election we should also pay particular attention to the election of women, figures from the democratic parties, and minority nationality candidates in order to ensure that they have a certain degree of representation in these two levels of people's congresses. Adherence to the principle of the reach and mass character of deputies to the people's congresses demands that those representatives include members from every segment of society; it does not rigidly stipulate the ratio of representation.

[HEILONGJIANG RIBAO] What requirements pertain to the quality of representatives in this county and township people's congress election?

[Qu Shaowen] In accordance with Election Law provisions, any citizen of the PRC, 18 years of age or older, regardless of nationality, race, gender, occupation, family background, religious faith, educational level, financial status, or length of residence, with the exception of those who have been stripped of political rights according to law, have the right to vote and stand for

election. Other than this, the law does not stipulate any conditions for representatives. However, past experience and the demands of the masses indicate that, in addition to the legal requirements, representatives should uphold the four fundamental principles and support the party line, principles, and policies; bear no taint from the Cultural Revolution or from last spring and summer's upheaval in Beijing; be exemplary in respecting the Constitution and the law; enthusiastically embrace the job and fulfill the responsibilities of a representative, maintain close contacts with the masses, and reflect the ideas and requirements of the people; have reached a certain level of education; and possess a corresponding capacity for social activism and a certain degree of legislative and administrative ability.

[HEILONGJIANG RIBAO] What must we do to be able to guarantee that voters fully exercise their voting rights?

[Qu Shaowen] China's election system is a true democratic system that guarantees the vast majority of its citizens equal voting rights. If we are to ensure that voters can fully express their will in this election and exercise their democratic rights completely, we must strictly adhere to and enforce the state-stipulated election system and enforce the Constitution, election laws, local rules of organization, and other laws and regulations. Specifically, we must, in accordance with law, do the following things: mobilize the masses to participate in the nomination and debate over candidates and in the election itself; work hard to guarantee that the candidates that the voters jointly recommend and the candidates that the political parties, the people's organizations, or the Standing Committee of the Heilongjiang Provincial People's Congress nominate have equal legal validity; uphold the principle of disparate elections; ensure that it is solely the voters' responsibility to determine who is or is not elected, and that no one has the right to interfere in this process; and guarantee that the number of candidates that political parties and organizations recommend is kept under control as per regulations, and that these recommendations are made somewhat later than the voter recommendations.

[HEILONGJIANG RIBAO] How are we to successfully publicize and educate people about the upcoming people's congress election?

[Qu Shaowen] We should conduct an intense publicity campaign as per the "1989-90 National County and Township People's Congressional Election Publicity Outline" issued by the CPC Central Committee Propaganda Bureau and the offices of the National People's Congress. At the same time, we must earnestly invoke the spirit of the "Report on Enhancing Publicity and Education Concerning County and Township People's Congressional Elections," which the general offices of the Heilongjiang Provincial People's Congress transmitted to its Propaganda Department and the Heilongjiang Election Committee.

### Jilin Reports Progress in Family Planning

SK2309094890 Changchun Jilin Provincial Service  
in Mandarin 1030 GMT 21 Sep 90

[Commentary: "Restudy the Open Letter and Make New Contributions Again"]

[Text] Over the past 10 years since the CPC Central Committee issued its open letter on controlling China's population growth to all members of the CPC and the Communist Youth League, family planning departments in the province have scored great achievements in their work and have made outstanding contributions to the social and economic development of the province.

The provincial population birthrate has dropped from 24.79 per thousand in the 1970's to 14.77 per thousand in the 1980's. The population's reproduction nature has changed from one with a high birthrate, low mortality, and high natural growth to one with a low birthrate, low mortality, and low natural growth, thus putting an end to excessively rapid population growth. For the major family planning targets, the province has joined the ranks of the best among various provinces, autonomous regions, and municipalities in our country. The province's family planning work has created tremendous social and economic results. Calculated in terms of the child-bearing level of the province's women in the early 1970's, some 5 million fewer babies than expected were born in the province over the past 10 years, and some 50 billion yuan in expenses were saved. Meanwhile, great change has taken place in the masses' concept of marriage and child-bearing, and late marriages and child-bearing and fewer and healthier births are becoming more common.

Although our province has scored great achievements in family planning work over the past 10 years since the issuance of the open letter, the current population growth situation facing us remains extremely grim. At the moment, with so high a number of births, about 450,000 babies are born in the province each year, which makes the net population increase reach 300,000 or more every year. If we refuse to make continued efforts and adopt more effective measures to grasp the family planning work, it will be very difficult for us to fulfill the province's population targets. Therefore, all localities must further strengthen leadership over family planning work, conscientiously implement the guidelines of the open letter as well as the family planning principles and policies laid down by the CPC Central Committee and the State Council, and actually assign both the production quotas and the family planning quotas in order to yield good results and make new contributions in family planning work.

### Symposium Held on Clean Government in Jilin

91P30009A Changchun JILIN RIBAO in Chinese  
21 Aug 90 p 1

[Article by Liu Li (0491 0500): "Take Pains To Resolve the Important Problems Which Concern the Masses, Further Promote Party Style and the Establishment of Clean Government"]



[Text] The three-day conference of secretaries of the provincial Discipline Inspection Commission concluded in Qianguo today. The conference called for commission members at all levels to enter into and implement the spirit of the Sixth Plenary Session of the 13th CPC Central Committee, focus on improvement and rectification and stabilizing the overall situation, continue to put great effort into resolving the obvious problems that cause strong popular reaction, and promote the establishment of party style and clean government in Jilin Province.

During the conference, they communicated the spirit of the Central Discipline Inspection Commission's North, Northeastern, and Eastern China Discipline Inspection Work Symposium and the National Party Style, Party Discipline, and Education Work Symposium, summed up the development of the province's discipline inspection and important experiences to present, and analyzed the situation currently being faced and set work goals for the next stage. Li Deming [2621 1795 2494], secretary of the provincial Discipline Inspection Commission, gave a talk at the conference.

During the conference, it was pointed out that there has been a new breakthrough in investigating and handling disciplinary cases within the party in Jilin. During the period from January to June the provincial disciplinary inspection system handled a total of 2,345 disciplinary cases within the party, an increase of 4.6 percent over last year. Of these, the cases investigated and handled by provincial, local, and county organs increased 20.8 percent over last year. Obvious results were obtained by party and government organs in clearing up cases of using housing to seek private gain and by key systems in rectifying unhealthy trends in industry. The province investigated 4,135 people who had oversized residences in violation of regulations, used public funds or property to build private residences, fixed up their houses to overly high standards, or misused investment money to purchase or build a residence. Some 289 residences were taken back, 4.857 million yuan in illegal funds were traced, and, of the 254 people turned over for party disciplinary action, five people were handed over to judicial organs to be dealt with. At the same time, the problems of using special industry privileges and misusing power [chi-na-ka-yao 0676 2169 0595 6008] were examined and rectified, and unhealthy trends and dishonesty such as using public funds on food and drink; unauthorized use, allocation, or purchase of vehicles; using public funds to install telephones in residences; and government organs engaging in commercial activities or running enterprises were effectively contained and resolved.

During the conference, they stressed examining and inspecting the practices decided on by the Sixth CPC Central Committee, the focus of which is inspection and examination of the ongoing situation of cleaning up housing practices, rectifying unhealthy trends in industry, getting rid of the "three disorders," and overcoming bureaucracy and formalism. We must stress

party style and clean government from the top down, integrating the focal points with overall considerations, and division into levels. Party and government organs must give prominence to resolving corrupt practices in housing. And in rectifying corrupt industrial practices, we must not only resolve the problem of misuse of power, but must also resolutely clear up arbitrary apportionment, arbitrary collection of fees, and arbitrary fines. We must stress this by stages and in a focused manner. In rural villages, we must continue to emphasize the establishment of clean government, focusing on sorting out financial affairs. Between this winter and next spring we must resolve one-third of our rural problems. Based on our investigation and research, we must earnestly resolve the problem of how to keep enterprises, party members, and cadres honest. We must concentrate efforts on emphasizing the investigation and handling of the big and important cases. We must persevere in integrating punishment and education, with the implementation of education and the principle of prevention being most important, and prominently carry out education on party regulations and party laws. We must continue to strengthen the establishment of ideology and organization of our system of discipline inspection, inspire enthusiasm, accurately carry out inspection, appropriately handle all different types of problems which are met with during reform in order to promote the creation of a good environment for Jilin's economic development.

**Jilin Marks Anniversary of 8-Power Allied Force**  
*SK1410130890 Changchun Jilin Provincial Service*  
*in Mandarin 1030 GMT 12 Oct 90*

[Text] The provincial federation of social science societies sponsored an academic seminar in the meeting hall of the Changchun City Scientific and Technological Association on 12 October, marking the 130th anniversary of the burning down of Yuanmingyuan Park by the eight-power allied force, including the forces of Britain and France.

Attending the seminar were more than 30 scholars and specialists. During the seminar, the participants voiced their opinions, reviewing the historical events and stressing that by no means should we forget the past and that we would encounter (?grief) again if we forget the past. Some participating comrades also stated that all the uprisings in the past in China could not save it and that only the CPC has led the Chinese people to mount the socialist road and to improve China's outlook. Facts have shown that only socialism can save China and that only by following socialism can we achieve development in China.

Gu Changchun, deputy secretary of the provincial party committee, attended the seminar and delivered a speech.

## NORTHWEST REGION

**Nationalist Separatism Seen as Class Struggle**

91CM0004A Urumqi XINJIANG SHEHUI KEXUE  
[SOCIAL SCIENCES IN XINJIANG] in Chinese No 4,  
15 Aug 90 pp 5-10

[Article by Liu Tongqi (0491 0681 6386), Nationalities Institute, Xinjiang Academy of Social Sciences; Lin Sheng (2651 5116), responsible editor: "Understand the Essence of Nationalist Separatism from the Class Point of View"]

[Text] In recent years, as bourgeois liberalization thought swept the nation and in the wake of political changes in the world, a tiny minority of nationalist separatists whipped up a reactionary countercurrent in Xinjiang to break up the motherland's unification and destroy national unity. Today this countercurrent has become the principal threat to Xinjiang stability. Confronted with nationalist separatism and nationalist separatist activities, what are we to make of its essence? This is a serious and critical issue facing all nationalities.

Stand, viewpoint, and method—these are how we observe and analyze a thing. What stand, viewpoint, and method should we use to analyze and understand nationalist separatism and nationalist separatist activities? In my opinion, the stand of firmly preserving the unification of the motherland and national unity, the Marxist class viewpoint, and the Marxist method of analysis are the stand, viewpoint, and method that we must follow steadfastly. This is because the struggle between nationalist separatism and anti-nationalist separatism is a struggle between a tiny minority of nationalist separatists and the broad masses of all nationalities, between the destruction of national unity and its preservation, between subverting the socialist system and preserving it. It is very much a class struggle in nature. Therefore, only by upholding the stand of the people, adopting the class viewpoint, and using the class method of analysis can we expose the handful of nationalist separatists for what they really are, people who use the "nationality question" and "religion question" to overthrow the socialist people's regime in Xinjiang and restore landlord bourgeois rule in which church and state are combined, and reveal their class nature of opposing the people. Only thus can we further open the eyes of all nationalities to make them unite with one another more conscientiously and more closely and wage a long-term, relentless, and irreconcilable struggle with the handful of nationalist separatists and their activities.

Since the Third Plenary Session of the 11th CPC Central Committee, we have adhered to the party's ideological line of seeking truth from facts and have totally renounced the series of mistaken theses and slogans put forward during the Cultural Revolution. Two such theses were that we should continue to "take class struggle as the key link in the socialist era" and that the "nationality question" is essentially a class struggle issue." Yet this

article suggests that we analyze and understand nationalist separatism and nationalist separatist activities from the class viewpoint and with the class method of analysis. Does it then imply a return to the wrong theory of "taking class struggle as the key link" and the erroneous argument that the "nationality question is a class struggle issue"? Is this an example of theoretical regression or criticism from the higher plane of principle and the two-line struggle? To my mind, absolutely not. What we have renounced is only the mistaken arguments that the "class struggle should still be the key link" in the socialist era and that the "nationality question is a class struggle issue." In no way have we renounced the Marxist class viewpoint or the Marxist method of analysis. Not only do they remain the basic viewpoint and method that we use to observe, analyze, and understand class societies in history and at present, but they are also the basic viewpoint and method to observe, analyze, and understand the class struggle that continues to exist to a limited extent in socialist countries. Nationalist separatism and nationalist separatist activities are the reflection of the class struggle that survives to a limited extent in the socialist era on the nationality question. This determines that the only way to understand the essence of nationalist separatism and nationalist separatist activities is to use the class viewpoint and class method of analysis, not any other viewpoint or method of analysis.

In what ways then should we analyze and understand the essence of nationalist separatism and nationalist separatist activities from the class viewpoint and using the class method of analysis? In light of the loud talk by the handful of nationalist separatists and their contacts with objective outsiders, I believe we should focus on understanding nationalist separatism and nationalist separatist activities in the following ways:

**First, we must distinguish clearly between nationalist separatism, the nationality question, and the religion question so as to understand clearly the essence of nationalist separatism and nationalist separatist activities.**

In a society of class antagonism, the nationality question is one of resolving the oppression of one nationality by another, of fighting for and achieving national liberation and equality. In China, this problem has been resolved through the new democratic revolution and socialist revolution. Today, socialism is well established in China. Under these circumstances the nationality question is essentially an internal matter within the working people of the various nationalities. It is a question of accelerating the economic, cultural, educational, and scientific and technical development of those areas inhabited by minority nationalities and gradually bringing about the joint development, progress, and prosperity of nationalities, assuming that the unification of the motherland is preserved, national unity is enhanced, equality among nationalities is upheld, and every nationality joins in the construction of socialism with Chinese characteristics. Simply put, the religion question in the socialist era is one of implementing fully the freedom of religion policy of the party and the state. More specifically, the religion

question means respecting and protecting, within the scope defined by state laws, policies, and regulations, the right of every citizen to practice or not to practice a religion, to practice this or that religion, or to stop or start practicing a religion. Neither the state nor any sector, organization, or individual shall intervene. Religion and faith are purely the private concern of the citizen. Religious organizations and religious activities shall not intervene, disrupt, or sabotage state affairs and social activities. Religious organizations and religious affairs shall not be controlled by foreign forces. Such is the basic substance of the nationality question and religion question in China at the present stage.

It can thus be seen that both the nationality question and religion question in China today are by their nature internal matters between the people of the various nationalities. The goal is to reconcile the internal conflicts between the nationalities within a framework of shared basic interests. To solve this type of nationality question and religion question, we must uphold CPC leadership and socialism, preserve national unification, strengthen unity among the nationalities, and firmly implement the laws of the land, as well as relevant policies, including nationality and religion policies. This is a basic prerequisite we cannot do without for a second.

Nationalist separatism and nationalist separatist activities are opposed to CPC leadership and socialism, destroy national unity, and vainly seek to separate Xinjiang, which has been an inseparable part of the great motherland since ancient times, from unified, multinationality, and socialist China to become a so-called "East Turkistan Republic" or "East Turkistan Islamic Republic," thus undermining the unification and integrity of the nation. Clearly, this evil objective on the part of a handful of nationalist separatists as well as their thought, speech, and deeds have absolutely nothing to do with the basic substance of the nationality question in the socialist era outlined above. There is nothing in common between them at all. Hence our conclusion that nationalist separatism and nationalist separatist activities constitute neither a purely nationality question nor a religion question. Instead, they represent a major political issue, one whose nature is class struggle.

There is no exploiting class, no class antagonism in a socialist society. Why then do we say that nationalist separatism and nationalist separatist activities are class struggle in nature? To answer this question, we need to analyze the nature of class struggle.

Marx and Engels said, in the *Communist Manifesto*, "All class struggles are political struggles." Discussing the nature of class struggle, Lenin wrote in *On the Concept of Class Struggle in Liberalism and Marxism*, "Only when class struggle not only exists within the political arena but also captures the most essential thing in politics—organs of state power—does it become a fully developed class struggle of all nationalities." This shows that the most essential thing about class struggle is the question of state power, in other words, one class seizing state

power from another. While a tiny minority of nationalist separatists make up a mob rather than a class, the evil scheme of separation draws them together, much like a piece of rotten meat attracting a swarm of flies. They collude with one another in a vain attempt to seize the power of the PRC in Xinjiang from the hands of the people of all nationalities, overthrow the socialist system in Xinjiang, and establish bourgeois nationalist rule. Although this is only their pipe dream, their wishful thinking, its class-struggle nature is all too clear. As Comrade Deng Xiaoping noted correctly in his "Upholding the Four Cardinal Principles," "The struggle against them by people of all nationalities is different from the struggle of one class against another in history; they do not constitute an open, complete class. But it is still a special form of class struggle. Or we may call it a special kind of legacy of the class struggle in history surviving under socialism." This is why we say nationalist separatism and nationalist separatist activities are a political question, a question that is class struggle in nature. They use the smoke screen of the nationality question and religion question in order to cover the class struggle nature of their actions.

**Second, we must analyze and understand nationalist separatism and nationalist separatist activities in light of the objective reality that the class struggle will continue to a limited extent under socialism on a long-term basis and may even sharpen under some conditions.**

It should be recognized that, since the renunciation of the notion of "taking class struggle as the key link" and the idea that the "nationality question is essentially a class struggle question" in the socialist era, some comrades have mistakenly believed that the nationality question in the socialist era has absolutely nothing to do with the class struggle that to a limited extent exists in China for the long-term, that the two are totally unrelated. As a result, the concept of class struggle has weakened in the minds of many people, even to the point of disappearing in some cases. When people stop being vigilant against nationalist separatism, they fail to recognize its nature when it rears its ugly head and makes trouble. Nationalist separatists in Xinjiang did not today begin spreading all kinds of falsehoods, putting out books, writing articles, and peddling their reactionary viewpoints in the classroom; that has been going on for some time. Some people have become so used to it that they take it as a matter of course. Others even consider it a reflection of "national feelings" and "national demands," a reasonable "nationality question." Taking advantage of this situation, nationalist separatists have not only revived their separatist activities but take them one step further. In my opinion, we must sort out two issues here.

*The first is the relationship between the nationality question in the socialist era and the class struggle that exists to a limited extent in the socialist era.*

The nationality question in the socialist era is not a class question, let alone a class struggle question. It is basically

a question of internal relations between the working people of all nationalities. But never have we held that the nationality question in the socialist era has nothing to do with the class struggle that exists to a limited extent in society. Only because that is true do we say that the nationality question in the socialist era is basically a question of relations between the working people of all nationalities.

According to Marxism, solving the nationality question is part of the proletarian cause. In a capitalist society, the nationality question is part of the overall question of proletarian revolution. In a socialist society, the nationality question is part of the overall issue of the proletariat leading the working people of all nationalities to construct socialism. The class struggle that exists in society to a limited extent in the socialist era reflects the various aspects of the overall question of socialist construction, such as the political, economic, ideological, and cultural aspects. As part of the overall question of socialist construction, can the nationality question be an exception? Of course not. Inevitably, it is a reflection of the overall issue of socialist construction. The concentrated expression of the class struggle that exists to a limited extent in a socialist society over the nationality question is the separatist conspiracies and activities of a handful of nationalist separatists. We should further recognize that, as long as the class struggle that exists to a limited extent in society does not disappear, it will continue to be reflected in the nationality question, with varying degrees of visibility and intensity. As long as there are nationalist separatists and nationalist separatist activities, therefore, the nationality question will retain its class struggle nature. If we fail to recognize this nature clearly, we will confuse cardinal issues of right and wrong, which is highly dangerous.

On the other hand, it must be clearly understood that the reflection of class struggle in the nationality question does not mean that the nationality question in the socialist era is inherently a class struggle in nature. What happens is that a tiny minority of nationalist separatists try to perpetrate nationalist separatism using the nationality question as a front. It is class struggle of this nature that is being reflected. In other words, the class struggle reflected in the nationality question in the socialist era is not something which is inherently there but something that nationalist separatism and nationalist separatist activities introduce. To draw a parallel, class struggle is not inherently a part of socialist society, but because of the existence at home and abroad of elements and forces hostile to socialism and because of their assorted sabotage activities aimed at restoration, class struggle exists to a limited extent in a socialist society. Sorting this out mentally will greatly aid our effort to understand clearly why there is still class struggle in a socialist society and the relationship between class struggle and the nationality question.

*The second is that we must analyze closely "national feelings" and "national demands" and distinguish between genuine and sham "national feelings" and "national demands."*

Nationality is a historical phenomenon, with its own process of formation, development, and withering away. As long as nationalities have not withered away, any nationality has its own national feelings and national demands at any point in time. This is perfectly natural, there is nothing wrong with that. Generally speaking, genuine legitimate national feelings and national demands are shared universally by a nationality and reflect the thought, values, likes and dislikes, and feelings of the vast majority of its members and represent their wishes, aspirations, and common interests. In China today, the bulk of the people of any nationality, especially working people, love the CPC, the motherland, and socialism. They safeguard national unification and the great unity of all nationalities and strive to achieve socialist modernization and build socialism with Chinese characteristics with one heart and one mind. They abhor and are firmly opposed to people and things that go against all this. This reflects and represents the psychology and interests that are unique to each nationality and yet shared by all. They are, therefore, the most basic national feelings and national demands of each nationality in China, on the one hand, and the most basic national feelings and national demands shared by all brother nationalities, on the other.

In contrast, while they talk about "national feelings" and "national demands," the tiny minority of nationalist separatists are actually opposed to CPC leadership and the socialist system, destroy national unity, undermine national unification, and vainly try to establish an "East Turkistan Republic" in Xinjiang under the aegis of imperialism and international capitalism. Compare their "national feelings" and "national demands" with the national feelings and national demands of the broad masses of the people of all nationalities, and the former's reactionary nature is revealed for what it really is. Their "feelings" and "demands" are not those of a nation, but those of the scum and traitors of a nation. These "feelings" and "demands" are diametrically opposed to, and totally irreconcilable with, the feelings and demands of the people of the various nationalities. On the one hand, they share with foreign hostile forces and nationalist separatists who have fled abroad a hostility to the CPC, to socialist China, and to unity and unification. Here we should awaken to another truth: Given the existence to a limited extent of class struggle in China and the presence of overseas forces hostile to China, our feelings and demands are still tinged with class up to a point. We may say that some feelings and demands are of a people nature, while others are of a non-people nature. "We absolutely must not let ourselves be confused by the slogan of nationalism."<sup>1</sup> We must distinguish clearly between genuine national feelings and national demands and their bogus counterparts. Never are we to let a tiny



minority of nationalist separatists "advertise lamb but sell dog meat," taking shelter behind the "nationality" sign.

The Chinese nation has common national feelings and national demands, which are bound to deepen and broaden as the socialist enterprise develops. Nevertheless, because of differences between the nationalities in history, politics, economics, culture and art, psychology, language, customs, and religion, it is only inevitable for each nationality to have its own unique national feelings and demands. This is natural and reasonable. So-called unique national feelings and national demands refer to special feelings and demands that are in addition to shared feelings and demands. These feelings and demands are definitely not the kind of "national feelings" and "national demands" bandied about by the tiny minority of nationalist separatists. While a nationality has special feelings and demands which are unique to it, such feelings and demands are actually common feelings and demands as far as the nationality involved is concerned because they reflect and represent the unique feelings and demands of the bulk of members of that nationality. In contrast, the so-called "national feelings" and "national demands" of the tiny minority of nationalist separatists are not shared by a nationality but are merely their own reactionary feelings and demands.

**Third, we must understand the nature of nationalist separatism and its activities in the context of the international class struggle, particularly the relationship between foreign reactionary forces hostile to socialist China and nationalist separatism.**

Forces hostile to socialist China have always existed in the world. They have never stopped subversive activities against China, such as infiltration, peaceful evolution, and plotting armed rebellions. This is one objectively present aspect of the international environment in which China has found itself over the past four decades. An important part of their anticommunist, anti-China, and antisocialist strategy is to exploit China's domestic nationality question and the remnants of bourgeois nationalism that still exist in the country to bribe, finance, and sustain nationalist separatists, including those in China and those who have fled overseas, inciting them to rebel, to sabotage China's nationality work and nationality relations, and to break up the nation. Nationalist separatists at home and abroad barter away their honor for the patronage of reactionary forces hostile to socialist China and, with their foreign masters pulling strings behind the scenes, collude and work together with elements among the Han people who are also hostile to socialism, acting as the backstage supporters for their effort to destroy the great unity of the Chinese nation and undermine the unification of the socialist motherland.

All this is not some logical deduction, but an ironclad fact. On the soil of some countries in Asia, Europe, and North America today, for instance, are assorted reactionary organizations belonging to a bunch of nationalist

separatists in exile overseas who have been fostered and kept by hostile forces. Instigated or tolerated by their foreign masters, they distort the history of internationality relationships and the history of the unified multinationality motherland, distort China's policies on nationality and religion, and distort the reality of equality, unity, and mutual aid in socialist China and between the nationalities. They relentlessly stir up counterrevolutionary public opinion aimed at splitting up the motherland and, through a variety of channels, incite their partners in China to create separatist riots and disturbances. Without exception, the nationalist separatist activities and armed rebellions that occurred in Tibet and Xinjiang in recent years were all closely related to hostile international forces and nationalist separatists who have fled overseas. Nationalist separatists inside China have publicly and unabashedly acknowledged that they had supporters overseas. Furthermore, the increasingly rampant nationalist separatist activities in Xinjiang in recent years are a product of long-distance coordination between nationalist separatism and the bourgeois liberalization cooked up by elements in the country who are hostile to socialism. Reactionary organizations knocked together by the "leaders" of the bourgeois liberalization movement after they were crushed at home and fled overseas include some nationalist separatists as their members. Instigated and as arranged by their common bosses, they collude with the reactionary organizations of nationalist separatists exiled abroad to oppose the socialist motherland. All this fully exposes the class-struggle nature of nationalist separatism and nationalist separatist activities.

In the current struggle between separatism and antiseparatism, there is the argument that to oppose nationalist separatism is to oppose minority nationalities, to oppose certain nationalities among the minority nationalities. This is utterly wrong and reactionary. It is also highly insidious to our effort to oppose separatism and preserve the unification of the motherland and unity among nationalities. It must be clarified and criticized.

In our opinion, two scenarios explain the emergence of that argument. In the first scenario, nationalist separatists spread rumors to confuse the public in an attempt to muddy the waters and incite the masses to work on behalf of their separatist schemes. In the second scenario, some people do not have a clear idea of the nature of nationalist separatism and its activities. Hence this confused idea. Accordingly, we must lay bare the reactionary and destructive nature of this argument, thoroughly criticize the schemes and intrigues of a tiny minority of nationalist separatists, rectify the befuddled thinking of some people, and establish the correct concept of opposing nationalist separatism.

The backbone of any nationality, whether the dominant nationality in a country or a minority nationality, is the broad masses of the people. The broad masses of the people not only constitute the core of a nationality, but are also the driving force behind the nationality's development and progress, the main force opposing ideas and

behavior within the nationality that run counter to the trend of history. Thus, it is the broad masses of people who represent a nationality, not the tiny minority who go against the tide and violate the people's wishes. To observe a nationality's wishes and demands, therefore, we must look at the ideas, thought, and behavior of the broad masses of its people. In no way can we get to know a nationality's wishes and demands by looking at the ideas, thought, and behavior of a tiny minority. This is the absolute demand of the Marxist theory of knowledge and Marxist methodology. We must try to understand what kind of question the nationality question is, using such a theory and methodology.

The struggle against nationalist separatism and nationalist separatist activities is a critical struggle to uphold CPC leadership, adhere to the socialist road, and preserve unity and the unification of the motherland. It is a struggle against opposition to the CPC, the socialist road, and the sabotage of national unity and unification of the motherland. Nationalist separatism and nationalist separatist activities are the outcome of the pernicious development of parochial nationalism. It matters not which nationality it occurs in, it is always instigated by a tiny minority of that nationality. The thought and behavior of this tiny minority invariably are incompatible with and run counter to the thought and behavior of the broad masses of the people of that nationality. This explains why their separatist activities are always firmly opposed by the broad masses of the people of the nationality involved as well as those of other nationalities. Recall the several separatist incidents in Xinjiang and Tibet in recent years. There were 2,000 to 3,000 participants at most, a minuscule proportion, far less than one percent of the population of the nationality in question and of the millions of people opposed to separatism. Given these facts, how can our opposition to separatist crimes perpetrated by far less than one percent of a minority nationality be regarded as opposition to minority nationalities or certain minority nationalities? The disturbances and rebellions that occurred in Beijing between last spring and summer were perpetrated mainly by elements in the Han nationality hostile to socialism. These people were dealt a hard blow. Can we then call it opposition to the Han people? In China today, the people of all nationalities oppose those elements of a nationality, whether it is the Han or non-Han nationality, who are hostile to socialism and their activities. Such opposition has absolutely nothing to do with any nationality. Our current opposition to nationalist separatism and nationalist separatist activities is also the same. We would like to advise people who are unclear about the nature of the current struggle to uphold the stand of the broad masses of the people of all nationalities and observe, analyze, and understand nationalist separatism and nationalist separatist activities using the Marxist class viewpoint and the Marxist method of analysis.

#### Footnote

1. *Collected Works of Lenin*, Volume 19, p. 261.

### Shaanxi Official Addresses Rural Population Growth

*HK1110033990 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 8 Oct 90*

[Excerpts] Liu Lizhen, vice chairperson of the provincial People's Congress Standing Committee, emphatically pointed out at the rural work conference the necessity of paying close attention to and doing a good job in family planning in rural areas.

She said that carrying out family planning is one of the basic national policies of our country. Since it started in the 1970's, family planning in our province has brought forth marked social and economic benefit. All told, births have been reduced by over 4 million, and 6 billion kilograms of grain and 20 billion yuan for upbringing have been saved. But the excessively rapid population growth has not been completely checked. For instance, in the past four years, births in excess of the population growth plan totaled over 600,000 across the province. Of all the extra births, about 95 percent are in rural areas.

Liu Lizhen emphatically pointed out that the rural population constitutes over 80 percent of the total population in our province. Major contradictions concerning the issue of population exist in rural areas. Taking strict measures to check excessively rapid growth of population is of vital importance to achieving the strategic targets for rural economic development. [passage omitted]

She ended by saying that our province is now faced with a grim population problem. Leaders at various levels should take solid measures in family planning with a view to achieving the strategic targets for rural economic development. Meanwhile they should reinforce their ability to control population growth through land administration, supporting the poor, and providing relief, social security, and employment, so as to promote the coordinated development of population and social economy.

### Shaanxi Parents, Children Sign Support Agreements

*OW2509135690 Beijing XINHUA in English 1211 GMT 25 Sep 90*

[Text] Xian, September 25 (XINHUA)—The elderly in the rural areas of Xianyang city, Shaanxi Province, no longer worry about their life after their sons and daughters are married.

Beginning this year, the Civil Affairs Bureau of Qindu District in Xianyang has promoted the idea of support agreements signed by the elderly with their children.

The district now has more than 1,400 newly married couples, who have signed agreements agreeing to be under the supervision of the village administrative committee.

"Respecting the old and loving the young" is a traditional moral value of the Chinese. Many young people still follow the tradition and live together with their parents after marriage. In some families three or four generations live together.

However, along with a developing economy comes the situation in which more young people intend to live independently.

This led the Civil Affairs Bureau to launch its program calling on young couples to sign support agreements with the elderly. The local people responded, with many brothers and sisters signing agreements together. That made the old very happy.

Zhao Liangcai, a 65-year-old who has sons and daughters, recently signed a support agreement with his 80-year-old mother.

The agreements differ according to each family's situation. Most agreements cover living, clothing, food, medical care and funeral arrangements. However, some agreements are very detailed and cover such areas as where the family's T.V. should be placed.

The mother [words indistinct] Duxuan—a young woman from Weijiaquan village, Gudu town, Xianyang—is very happy to tell villagers that Yang Peiwu, her son-in-law, has signed an agreement promising to treat her like his own mother.

Yang said: "Now we are married, but we should never forget the hardships our parents suffered while bringing us up."

**Current Status of Exchanges Across Strait**

91P30012A Beijing RENMIN RIBAO OVERSEAS  
EDITION in Chinese 11 Oct 90 p 5

[Article by XINHUA reporter Tian Di (3944 0966): "It Is Impossible To Go Against the General Trend in Exchanges Across the Strait—Enlightenment From the Beijing Asian Games"]

[Excerpt] [passage omitted] Promoted by athletics, the Beijing Asian Games have brought enlightenment with regard to this kind of exchange across the strait.

First, exchanges across the strait are already a general trend, you can't go against it. The "three exchanges" have become a problem in regard to exchanges across the strait, which urgently needs to be resolved. Taiwan authorities refuse the exchange of air services, causing Taiwan athletes to go by a roundabout route. They refuse the exchange of mail, causing needless hassles for Taiwan television broadcasts, wire dispatches, and news reports. Taiwan reporters complained that in the technical war for Asian game coverage, their news and photos had to be relayed through Hong Kong, adversely affecting timeliness and photo quality, so that they could not compete with the Japanese media. It is not as though the two sides of the strait don't have the capacity for direct exchange; why must they take detours, not shortcuts?

Second, the Taiwan authorities' "three no's" policy and all the hostile measures limiting mainland compatriots from going to Taiwan are a big obstacle in exchanges across the strait. Under the limitations and discrimination of the Taiwan authorities, present exchanges across the strait tend to be unilateral and indirect, with no big progress. This was extremely disadvantageous to begin with for exchanges across the strait and for the increase in understanding and mutual trust that come from such exchanges. Now, though, Taiwan authorities have thrown cold water on relations across the strait, announcing that the "three no's" will continue to be upheld and that they will "cool down," even "freeze," exchanges across the strait. Taiwan authorities are not conforming to popular desires for forward movement and are actually putting on the brakes. It is worth considering just what sort of influence this will have on compatriots, the Chinese nation, and reunification of the country.

Third, exchanges across the strait should be established on the premise of "one China," especially for international activities. Anything that could lead to "two Chinas," "one China, one Taiwan," or "two political entities" will, without a doubt, harm the development of relations across the strait.



### History Texts Criticized as Political Propaganda

90CM0412A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 177, 5 Aug 90 pp 68-70

[Article by Tung Ching-feng (4547 3237 1496): "We Are All Being Socialized This Way!—A Look at the 'Over-Politicized' Contents of ROC Textbooks"]

[Text] The February 28th Incident, which had been buried in official records for over four decades and had always been considered absolutely taboo by all parties, is about to stop being suppressed. The Taiwan National Publishing House announced recently that it will be included in next semester's senior high school history texts.

### Taboo Incidents Are Finding Their Way Into ROC Teaching Materials

As far as ROC [Republic of China] textbooks, whose contents have always been propagandistic and an absolute whitewash of the KMT [Kuomintang] regime, are concerned, including the February 28th Incident in teaching materials will undoubtedly be a breakthrough.

When the Taiwan Ministry of Education put ROC textbooks under the "editorial control" of the Taiwan National Publishing House in 1946 in accordance with national education laws, schools of all grades throughout Taiwan, from college on down, entered a phase of centralized teaching.

Within the general background of all teaching being guided by and directed at national exams, textbooks have become the only basis for teaching and, in the eyes of the students, the so-called "scriptures." If teachers indulge their fantasies to expand horizons by teaching things that are not in textbooks, they inevitably find it almost impossible to avoid resistance by students' parents and school administrators. The only way for students to hope to pass the national exams is to study their textbooks reverently as if they were bibles.

Huang Wu-hsiung [7806 2976 7160], a very learned professor of education at Taiwan University, says that the purpose of educating humanity is to verify personal experiences with those of others, help people transcend their transient and local experiences, compare them with those of others from different times and places and, thus, expand their horizons and experiences.

Are today's ROC textbooks able to achieve this educational objective?

Huang Wu-hsiung says that the present ROC textbooks certainly do not emphasize the process of verifying human knowledge, but are rather propaganda, which teach an ideology that is absolutely in line with the stand of the rulers.

In clarifying its editorial focus, the Taiwan national high school textbook, *Citizenship and Morality*, points out with absolutely no reservations that "This text is based

on the teachings and views handed down by the father and first ROC president, the revered Mr. Chiang Kai-shek, and current national policy, in order to enhance the national consciousness of students." Reading these words makes us feel as if this is almost a textbook from the "KMT Academy of Revolutionary Practice," or an "ABC of party work drills." What kind of citizens are these textbooks producing?

Huang Wu-hsiung also points out that, although no studies should be divorced from the process of intellectual analysis, the content of *Citizenship and Morality* is basically unreasonable, its only truth being the ideological explanation that this is what "the first ROC president, the revered Mr. Chiang Kai-shek, says."

The phrase, "the first ROC president, the revered Mr. Chiang Kai-shek, says," is used 11 times in Volume 4 of *Citizenship and Morality*. The editor responsible for this volume was Ms. Li Chunggui [2621 6945 2710], director of the KMT Women's Trade Union, who also edited Volume 6, in which "the first ROC president, the revered Mr. Chiang Kai-shek, says" is used more than a dozen times. *Citizenship and Morality* has almost become "A Record of the Wise Words of the First ROC President, the Revered Mr. Chiang Kai-shek."

### Much of the Content of ROC Textbooks Is Pretentious

Although CPC textbooks were also very predisposed to regard the words of "Chairman Mao" as the truth when Mao Zedong was still alive, the words of Chairman Mao have been discarded like a pair of "worn-out shoes," and hardly mentioned by anyone, since he died. In this respect, "the revered Mr. Chiang Kai-shek" has actually been much luckier.

Even though textbooks are very easily seen for what they really are if they are blatant ideological indoctrination, the problem is that the contents of certain textbooks are pretentious and pervasive.

This problem can be seen in Volume 3 of *Citizenship and Morality*, which was authored, in name only, by Shih Chi-yang [2457 0796 2254], vice president of the Executive Yuan.

Chapter 5 of Volume 3 of *Citizenship and Morality* introduces the people's constitutional rights, including that of the freedom to keep communications confidential, which is interpreted as follows: "Although Article 12 of the ROC Constitution stipulates that people have the freedom to keep communications confidential,... people's freedom of communications is subject at the same time to many legal restrictions, such as... the right of parents to open and read the correspondence of their underage children..." (See p. 35.)

Hsu Tsung-li [6079 1350 0500], associate professor of law at Taiwan University, points out that, although parents opening and reading the correspondence of their underage children can be considered an exercise of parental authority, it is extremely improper, because

people in a democratic country must learn respect for others, which is developed in the young by their families.

It is not known exactly when the works of Sun Yat-sen, Chiang Kai-shek, and Chiang Ching-kuo began to be included in ROC Chinese literature texts in juxtaposition with those of a generation of literary giants, such as Su Shih and Ouyang Hsiu.

#### **The Works of Political Figures Appear From Time to Time**

Statistics show that more than 17 of the "works" of these three "great men" are included in ROC national high school textbooks, including seven by "the first ROC president, the revered Mr. Chiang Kai-shek," followed closely by five by the "deceased President Chiang Ching-kuo." I think that if Su Shih were still alive, he would sigh about his inferiority in this respect.

In addition, works of no particular literary merit by founders of the KMT and ROC, such as Tai Chuan-hsien [2071 0278 6343] and Lang Ching-shan [6745 7234 1472], have also been selected as "model essays." Wang Pang-hsiung [3769 6721 7160], a professor at Central Taiwan University who formerly taught Chinese literature at Taipei No. 1 Girls School, says that works by political figures should be excluded as much as possible from textbooks, "not because they are not good, but because they are not 'model essays,' and even more so because their impact is political not literary." He says that, while works by political figures may appear to do a good job of teaching loyalty and filial piety, they are actually political indoctrination, which make students think that there is no difference between Chinese literature and Sun Yat-sen's three principles of the people (nationalism, democracy, and the people's livelihood) and, thus, reject Chinese literature.

However, Kao Ming [7559 2494], chairman of the High School Chinese Literature Editorial Committee, thinks that the works of political figures should certainly not be excluded or "rejected outright simply because they are written by political figures." He says that this situation has already improved somewhat, in that textbooks used to contain even more works by political figures.

In addition, as each of the editors of various volumes of textbooks works independently and certainly not in cooperation with each other, the works of certain people are particularly favored in the selection process, and those by authors such as Su Shih, Han Yu, and Ouyang Hsiu appear in almost every volume. Wang Pang-hsiung points out that, as it is hard to count the number of works of literary merit from the various Chinese dynasties, the works of a few famous authors should not be allowed to monopolize the selection process.

Editors must select writings in classical Chinese, the vernacular, and various literary forms, in line with the curriculum criteria set by the Ministry of Education. Fu Wu-kuang [0265 2976 0342], professor of Chinese literature at Taiwan National Teachers College, says that,

since few excellent lyrical works can be selected, editors often use "elegies" as fillers. (Senior high school Chinese literature includes elegies to younger sisters and 12th sons.) He says that even though the most genuine feelings and deepest instincts expressed by elegies are too remote from students' life experiences to arouse their sympathy, they must still be learned for the sake of exams, which stereotypes the teaching of Chinese literature and makes us cry alas!

#### **Ideological Dominance Makes People More Biased**

Huang Wu-hsiung points out, moreover, that the aim of human education is to eliminate occupational and racial bias, because exchanging human experiences naturally helps to break down racial barriers. On the other hand, simply giving dominance to ideology is bound to make people more biased and hamper the exchange of human experiences.

Moreover, Hsu Hung [1776 3126], professor of history at Taiwan University, asks, "Since current ROC history texts elaborate the superiority of Han chauvinism, what kind of impression does reading this kind of text make on the original inhabitants of Taiwan?"

Huang Wu-hsiung points out that the aim of studying history and geography is to establish a foundation of love for all humanity through increasing the understanding of other races and societies, which can emerge only by looking at issues from the other party's experiences and viewpoint.

Huang Wu-hsiung points out that, "Thus, viewing the Japanese aggression against China from a Chinese standpoint naturally makes us feel that Japan had a warlike culture, while overlooking the many Japanese antiwar protestors of the time, who used various means to resist their ruling class. If we can consider it from this angle, we will naturally understand that the Japanese aggression against China was not simply a matter of national confrontation, but was also one of antagonism between the people and their ruling class." He further points out that our history texts contain only nationalistic teaching materials that do not show the cultural differences between countries or common human nature.

Even though the Taiwan National Publishing House has decided to conform to the trend of the times by including the February 28th Incident in ROC history texts, this is still not enough to fill the gaps in our contemporary history. Liao Lung-sheng [1675 7127 4141], professor of history at Taiwan National Teachers College, points out that, although contemporary history is concerned with current political changes, they are full of defeats and humiliations which the KMT regime does not dare to face up to, so our present textbooks either barely mention or totally omit material pertaining to cooperation between the KMT and the CPC, tolerance of Russian Communism, the Xian Incident, the struggle between the KMT and the CPC, or the ROC move to Taiwan. He says that this is like a guilty person giving himself away

by conspicuously protesting his innocence, which makes people think that there are certain things that cannot be told.

### ROC Texts Barely Mention Taiwan History

Taiwan history is barely and too briefly mentioned in ROC texts. Huang Chun-chieh [7806 0193 0267], professor of history at Taiwan University, asks emotionally, "If a person does not even understand the place where he was born and raised, how can he understand other places that he does not know about?"

Because ROC history texts give too much emphasis to political and military affairs and endlessly emphasize battles and wars, their content is too repetitious. Many people find that the same history that they learned in grade school and junior high, must be studied and rehashed in senior high school and even in college. The Ministry of Education's unclear demarcation of study objectives for various levels of public school eventually makes students dislike history.

Current ROC textbooks are compiled mainly by one or two editors according to the editorial principles set by the Editorial Committee. Mou Chung-yuan [3664 0022 0626], a professor of chemistry at Taiwan University who has actually participated in editing textbooks, says that each member of the editorial committee demands that the works he considers important be included in texts and they "draw on collective wisdom and absorb all useful ideas," which has left textbooks with basically no individual style, while also often making it impossible for qualitative improvements to play an effective role in academic results because of limited teaching time.

Ms. Huang [7806], a current public school history teacher, says that her teaching experience shows that the chief editors of history texts often overweigh their respective specialties, which causes imbalances. She says that current textbooks are certainly printed more elegantly and the characters are much clearer than in the past, however, there is certainly still nothing either good or unique to report about their content.

Moreover, politics encroaches incessantly on sacred fields in textbooks, not even sparing geography, with which it has no possible involvement.

Current high school geography texts are often regarded as refurbished versions of "history," with some people deriding them as "historical geography," because they still contain much old pre-1927 material.

### Our Insistence on Using Different ROC and PRC Names Is Actually a Way of Burying Our Heads in the Sand

Current Taiwan geography texts insist on using different ROC and PRC terms, not only persistently refusing to use CPC administrative divisions, but even refusing to use CPC reference material on the names of railway lines, which have no involvement with politics. Our

method of "accommodation" is to place CPC references in postscripts, where they are translated into ROC data.

Ho Chungju [6320 1813 0320], a professor of geography at Taiwan National Teachers College, who is in charge of compiling senior high school ROC geography texts and insists that geography texts not use CPC place names, says that this involves the exercise of the KMT regime's rights. He says that "using their names is equivalent to acknowledging the CPC and repudiating our own existence."

Ho Chungju further indicates that, although the CPC has turned China's nine northeastern provinces into three, merging provinces, such as Antung, Liaopei, and Nen-chiang, "Since the ROC National Assembly still has delegates from these provinces, problems would arise immediately in our Legislative Yuan and National Assembly once we tried to use CPC terms."

Shih Tienfu [2457 3240 4395], professor of geography at Taiwan National Teachers College, also thinks that there is certainly no use in trying to teach students certain facts, because "Who knows what changes will have occurred in China a decade after they have finished school and try to use these facts?" He says that teaching geography is aimed not simply at meeting the needs of sightseers and tourists, but rather at academic objectives per se.

Chu Haiyuan [4324 3189 3293], a research fellow at the Central Research Academy's Nationalities Institute, thinks that this is a typical case of "burying one's head in the sand" because, in fact, affirming one's own legitimacy does not necessarily conflict with acknowledging the other side's place names. Mou Chungyan also thinks that these kind of overpoliticized textbooks teach students lies and may cause extreme gaps in their knowledge.

Although realistic diplomacy is the only way for Taiwan to break out of its present international isolation, excluding Mainland China place names used by the CPC from ROC geography texts, has been discovered to actually be a general turning back of the wheel of history, by insisting on the irreconcilable hostility between "Han Chinese and traitors" (the ROC and the PRC). Unfortunately, these kind of texts have had an adverse impact on thousands upon thousands of students.

The problem of overpoliticized ROC textbooks is probably not all the fault of their editors, who are forced to act in accordance with the curriculum criteria set by the Ministry of Education. The third course criteria for senior high school ROC geography published in 1949, stipulates explicitly that the aim is to enable students to understand the whole territory of the ROC and the geographic conditions of each of its geographical regions, in order to arouse in them a spirit of patriotism, national restoration, and national reconstruction. Entrusted with this kind of sacred "duty," it is not at all surprising that this kind of "morality" of keeping politics in command naturally appears in today's ROC textbooks.

**Philippine House Speaker Discounts PRC Threat**  
*OW1710015990 Taipei CNA in English 1553 GMT*  
16 Oct 90

[Text] Taipei Oct. 16 (CNA)—Filipino House Speaker Ramon V. Mitra Jr. Tuesday night brushed aside the threat of mainland China to cut off its diplomatic relations with the Philippines if the Philippine Congress approved the Philippines-Taiwan Beneficial Relations Bill, according to a Far East news agency report from Manila.

Mitra said in an interview with reporters that "don't think it is a good idea for a friendly country to issue such a statement since the proposed measure is still unacted upon by congress.

Mitra was reacting to the statement, issued by Guo Baocheng, spokesman of the Red Chinese Embassy in Manila, which said that the passage of such a bill would be a palpable violation of the one-China policy adopted by the Philippines when it established diplomatic relations with Red China in 1976.

Brushing aside such threat, Mitra said "we conduct our own foreign policy not in response to threat but based on the interest of our country."

"And if congress feels that it is for the interest of the country to act on such measure, then, we will act on it not because of the threat by a friendly nation," he told newsmen.

**Beijing, Taiwan Publishers Cooperate on Anthology**

*OW1110015890 Beijing XINHUA in English*  
0707 GMT 10 Oct 90

[Text] Beijing, October 10 (XINHUA)—The Beijing SDX Joint Publishing Co. and Taiwan's Chin Show Culture Enterprise have agreed to jointly publish an anthology of Chinese history and culture.

According to an official of the SDX Joint Publishing Co., the *Chinese Anthology* will include 500 categories, including history, literature, philosophy, biography, visual arts, and geography.

The topics will be decided by the two sides, and the compilation will be organized by the Beijing side. Over the next 10 years, the volumes will be published in two versions—in simplified and original Chinese characters, respectively.

It is expected that the first volumes will come off the press by next June.

The SDX Joint Publishing Co. specialises in publishing social science books.

The Chin Show Culture Enterprise is a large publishing house in Taiwan, founded in 1979. For many years, it has had contacts with major publishing agencies on the mainland.

**Taiwan University Group Visits Qinshan Nuclear Plant**

*OW1010193490 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 8 Oct 90*

[Text] At the invitation of China Nuclear Society President Jiang Shengjie, a delegation from the Taiwan Qinghua University Nuclear Engineering Department, headed by (Professor Zeng Delin), recently visited the Qinshan Nuclear Power Station and conducted useful exchanges on nuclear power technology. The exchanges marked the first formal contacts in the nuclear power field in 40 years between scholars from the two sides of the Taiwan Strait.

After visiting the Qinshan Nuclear Power Station, which was the first nuclear power station wholly designed and built by China, the Taiwan colleagues said: Taiwan purchased the facilities for its present six nuclear power stations from other countries, whereas the Qinshan Nuclear Power Station was built by China itself. This makes us proud.

Offhandedly, (Professor Zeng Delin) wrote the inscription, "The Pride of the Motherland."

**Analysis of Sluggish Economy**

*90CE0486A Taipei CHING CHI JIH PAO in Chinese*  
15 Aug 90 p 3

[Article by Lu Shih-hsiang (4151 0013 4382), special correspondent stationed in the United States, dated 13 August, New York: "Discerning the Blue Light of Recession in Taiwan's Prosperity"]

[Text] Only a few months into the 1990's, several economic reverses have affected Taiwan's economy in quick succession. There was first the effect on the economy of the political squabbles early this spring, which added yet another unfavorable factor to a deteriorating investment climate, and which accelerated an interflow of men and finances. When official indices for Taiwan's economy came out at the end of July, there appeared for the first time since August 1985 the blue light of recession, and in the face of this evidence one simply had to believe in the depressed state of the economy. Later, in August, Iraq's President [Saddam] Husayn, the present-day Hitler of the Middle East, suddenly invaded neighboring Kuwait, shocking the whole world, and the third energy crisis seems to be upon us. During this period, there were also diplomatic setbacks, including doubts whether diplomatic relations with Saudi Arabia and Singapore could be maintained, but fortunately with little influence on de facto relations, as, for instance, in the case of Indonesia.



In the face of these reverses, many people are very much worried about Taiwan's economic prospects. They fear that with the economy already in a depressed state, the added pressure of inflation, which staged a comeback due to the rising oil prices, will one step further aggravate the economic environment and will dim the brightness of the "economic miracle" of Taiwan, which had been so laboriously built up in the past 30 years.

#### **A Change of Attitude by Government Personnel Is an Absolute Necessity**

In the same way that they stuck to their faith in Taiwan's politics and saw only the bright sides of the political situation, Taiwan's financial and economic government officials are always "incorrigible optimists," and remain optimists even in the face of the mentioned reverses.

Although even optimists, such as Taiwan's financial and economic government officials, do not deny the depression in Taiwan's economy, what must now be a more serious cause for anxiety is whether the present economic recession is after all only a short-lived phenomenon or whether it is the beginning of long-term difficulties in Taiwan's economy.

Economic indices and statistics are helpful in understanding the real situation of an economic depression. According to the statistics that have so far been published, export orders and exports in the first half of this year are down by one percent, compared with the corresponding period last year. Reduced exports have resulted in failure to achieve progress, and rather in a decline of industrial production of a magnitude of three percent. If it were only industry, mainly in its manufacturing branches, that was depressed due to a lack of export expansions, the economy would perhaps not show the blue light of recession. However, the distress in the real estate and share sectors has spread and affected the financial area, namely the volume of security transactions and bank loans, which finally caused the composite figures by which the health of the economy is measured to slide down into a "blue light" situation that causes great anxiety to all.

Figures by themselves cannot cheat, unless the official process of producing the statistics is questionable. The above-mentioned statistics and indices which show a slump in Taiwan's economy correspond more or less with general observations of the economic trend on Taiwan during the first half of the year. However, the important thing is that in interpreting the said statistics and indices, there are certain points that have to be noted, and it is particularly necessary to look beyond the figures at the overall economic environment.

#### **Aggregate Decline in Production and Exports Is Not at All Large**

On the level of a technical analysis we may say that although exports as well as industrial production showed

negative growth, both are compared with the corresponding period last year, and the decline is, furthermore, not at all very large. In this kind of a depression, Taiwan's export-induced industrial production and economic growth still show that they more or less maintain the level of the first half of last year.

As to departments of the economy other than industry, the most important influence there is the influence of the share market. From its climax in February, the index of share prices constantly declined steeply. In addition, some adjustment had to come in real estate prices, which had risen beyond all reasonable limits. This naturally caused a dramatic decline in securities trading and bank loans, and all these are important constituent elements of economic indices.

#### **No Indication at All of Imminent Economic Doom**

With a view to the relevant economic environment, we have to say that these changes are no surprise to anyone. During the last two years, Taiwan's industry has moved abroad at an accelerating pace. Last year, the outflow of capital was \$8 billion, and this year it will be at least \$10 billion. The result of this exodus of industry has of course been that it prevented growth in Taiwan's exports and industrial production. Speaking of Mainland China's trade with the United States, it is now predicted that this year Mainland China's trade surplus with the United States will replace Taiwan's, and that Mainland China—with a surplus of over \$10 billion—will become the second largest trade surplus country in trade relations with the United States. Due to the large investments of Taiwanese businessmen in Mainland China during the last two years, the increased surplus of Communist China's trade with the United States was actually to a considerable extent brought about by Taiwan's businessmen. Looking at past records, this is the same as when Taiwanese enterprises invested in Southeast Asian countries to benefit from more favorable customs tariffs and cheaper manpower. One consequence was that the trade surplus which Taiwan had enjoyed in its trade relations with the United States was transformed into trade surpluses of the foreign countries in question in their trade relations with the United States. All this is the result of the internationalization of the Taiwan economy. It is also the same as when Japan transferred its declining industries to Taiwan in the 1960's. It is only that the capital outflow from Taiwan during the last two years was much faster, and manifested itself much more distinctly in the industrial production and export statistics.

#### **Consequences of Depression in the Stock and Real Estate Markets**

Speaking of the areas of finance and capital, what deserves our major attention among all events during the first half of this year is the outflow of capital and the decline in the value of shares. Pessimists are much troubled by these two phenomena. But viewed from a different angle we see that although the outflow of capital

was serious during the first half of this year, Taiwan's foreign exchange reserve of \$65 billion still places Taiwan third in the world, and in this respect there is no immediate and obvious danger, the more so since the mentioned phenomena are actually the price that has to be paid for internationalization of the economy. As to the share market, declines since February have been by over 60 percent. While the "hurricane" which raced through last year's share market was something of an abnormal "money play," the present fall in prices is nothing more than a normal process of adjustment, although the reverse in trends may have been somewhat too swift.

The decline seen in the economic statistics of Taiwan, and the appearance of the blue lights of recession, which, externally, are due to the weakening of export markets in the United States and other countries and, internally, due to needed adjustments, are, therefore, to a certain extent the price that had to be paid for return to normalcy from the past condition of excessive growth. Even if we see the blue light of recession, it does not indicate that economic doomsday has arrived. After August 1985, we saw the blue light of recession in Taiwan's economy for nine months, but that did not preclude Taiwan later, in 1987, to have an economic growth of 11.9 percent.

Viewed in a larger framework we see that Taiwan, since the last years of the 1980's, entered a phase of unequalled changes involving economic, political, and social adjustments and reforms. During this phase, inevitably, some unprecedented events have happened: demonstration of opposition in the streets, turmoil in the share market, and the rise of various social forces and organizations; Taiwan's society has been experiencing all these things during the last several years. There are already many

aspects of the economy itself that need adjustments and reform as well as institutionalization, and these are normally affected by interferences from other quarters, as there had, for instance, been the effect on economic stability by the political squabbles in the KMT during the first half of the year, which up to today still seem to exist as a turbulent undercurrent. The very swift and sharp slump in share prices during the last six months and the speed of capital outflow are examples for the impact of political opposition on the economy. They are examples of a "self-inflicted evil," which not only delays Taiwan's democratic reform but unavoidably has a detrimental effect on the social level, such as on the economy and on the problem of discrimination because of provincial origin, and they may even forfeit Taiwan's future prospects.

#### **A Dangerous Situation Presents Heavy Responsibility for the Ruling Party**

The current recession in Taiwan's economy, due to the disturbing effect of the downward trend in the economic cycle and the "self-inflicted political confusion," coming at a time of long-term reforms and adjustments, to which is now added the danger of the possible eruption of a third energy crisis, is bound to have Taiwan's economy face a challenge that will become more and more threatening. If economic development may be seen as a process of continuous responses to challenges, Taiwan's industrial and commercial enterprises must respond by exerting great efforts, and the KMT as ruling party must take primary responsibility for changing the general situation and meeting the challenge; at least it must not allow its "family affairs" of people striving for power and profit to become the source of disaster by disturbing Taiwan's economy.

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